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BOLIVIA THE WAR GOES ON

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Bolivia: The War Goes On

Che Guevara saw Bolivia as one of the weakest links in the long imperialist chain. A country with a rich history of worker and peasant struggles, including the democratic-bourgeois revolution of 1952, Bolivia still bears the weight of a reactionary bourgeoisie, an oppressive military, and no small number of U.S. imperialists. Bolivia, the geographical heart of the South American continent, symbolizes the contradictions of Latin American history: a rich country, a pauperized people; common borders with many South American republics, physical isolation; a revolutionary proletariat, no vanguard, no leadership.

If Che understood the fragility of the oligarchy's control of the country, his imperialist enemies also did. Consequently, they have spent twenty years and millions of dollars in an attempt to shore up their forces in that country. For Bolivia's unusual position in the center of South America gives it an importance which its small population (5 million) and poverty cannot explain. And a workers' victory there—as Che realized—could dramatically alter the balance of power throughout the continent.

The Destruction of the Old Bourgeoisie.

Bolivia has endured one of the most tumultuous histories in Latin America. In contrast to countries like Chile, the Bolivian ruling class has always suffered from severe internal divisions. Abe Lincoln once noticed that "a house divided against itself cannot stand." He understood that the separation of the U.S. upper class into various competing economic sectors would produce a major confrontation, the Civil War. Bolivia's bourgeoisie was even less able to reach an agreement within its own ranks on how "development" should occur. The result of this has been continual revolts, nearly two-hundred presidents in 150 years of national independence, and a tendency to rely on the military to rule. In countries like the United States the military is generally used by a united ruling class against the working class either at home or abroad. In Bolivia and similarly exploited countries, it is used both for this purpose and by one sector of the bourgeoisie against another. In short, this is the basic reason for an unusually chaotic political history.

Some of these conflicts were more important than others, but the Chaco War (1932-1935) was undoubtedly a major turning point in modern Bolivian history. The international depression of the early 1930's had hit Bolivia with particular fury, sharpening internal class conflicts and intensifying the differences which already existed within the ruling class.

Foreign wars have always provided the oligarchy with an opportunity to cement over class differences with the notion of "national interest" and "defense of the Fatherland". When class strife threatened his government, Bolivian President Daniel Salamanca fostered a conflict with neighboring Paraguay as one way of meeting that crisis. To a large extent, though, the war between these two countries also was encouraged by a conflict between two international oil giants—Standard Oil of New Jersey and Royal Dutch Shell—each of which wanted control over the supposedly oil-rich lands of the Chaco.¹

The war, which Bolivian leaders thought they could easily win, was disastrous. More than 80,000 Bolivians perished in the fighting and a sizable chunk of Southeastern Bolivia



Map of Bolivia

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became Paraguayan territory. The dimensions of the tragedy greatly weakened the old oligarchy, which was not in very good shape to begin. Only the tin industry provided the bourgeoisie with a solid economic base, and the three dominant figures of this industry—Patino, Aramayo, and Hochschild—had already begun to move their profits out of Bolivia. (See "Tin and Imperialism" in this issue.) The agricultural sector of the ruling class, on the other hand, was socially significant but it was weakened by its very limited economic importance.

But, for the first time in Bolivian history, a new political alliance emerged after the Chaco War: the nationalist military supported by the proletariat. Over the next ten years, three "military socialists," Col. David Toro, Lieut. Col. German Busch, and Major Gualberto Villarroel, attempted to introduce radical nationalist reforms from above, but with the support of the working class and the peasantry. While these officers feared the independent political power of the proletariat, they realized that they needed the workers' support to remain in office. To the same extent the proletariat, organized largely around mining and some textile workers' unions, had enough power to cause the downfall of the nationalist military, but not enough to rule by itself.

The crisis of the Chaco War was also instrumental in the formation of the MNR,* founded in 1941. Based on a nationalist, petit-bourgeois ideology, the MNR represented large sectors of the proletariat, petit-bourgeoisie, and even a small sector of the progressive bourgeoisie. The MNR closely identified with the ideas of the "military socialists," and even shared the government with Villarroel (1943-1946). As with the military leaders, the MNR also sought an alliance between certain "enlightened" sectors of the bourgeoisie and the masses. But the leadership, clearly, would always come from the former; change would flow from above.

By calling for the nationalization of the large tin mines and the re-assertion of national control over the economy, the MNR mobilized a mass movement to fight for social change. This struggle intensified after a reactionary alliance overthrew (and hung) Villarroel in 1946. Based on the miners' militant positions (See "The Thesis of Pulacayo" in this issue), the MNR continued to chip away at the ruling class. Economic conditions favored their movement as well: the petit-bourgeoisie flocked to the MNR as inflation ate away their earnings and savings.

The process reached crisis proportions by mid-1951. A last-ditch military Junta found itself forced to nullify presidential election results when the vote count showed a clear victory for MNR-leader Victor Paz Estenssoro, one of the party's founders. To add to the already serious situation, the United States refused to negotiate a new contract for the purchase of Bolivian tin with the Junta in March of that year; tin prices tumbled down. On April 9, 1952, the MNR led an open revolt against the Junta with the support of one of its own top officers. Following three days of intense fighting highlighted by the valiant offensive of dynamite-wielding miners, the military collapsed and the MNR took over the government.



Arms still in hand, the proletarian and peasant sectors of the new government pushed through some fundamental measures within a short period. Of these, the most important were: 1) nationalization of the "Tin Barons'" properties and the creation of a state mining corporation (COMIBOL) to administer them; 2) basic agrarian reforms for the *altiplano*, the high plateau where two-thirds of the population lived; 3) universal suffrage; 4) dismemberment of the bourgeois armed forces; 5) initiation of "co-government" (the coalition rule of the petit-bourgeoisie/ bourgeoisie and the working class) with the naming of worker and peasant cabinet officials; 6) implementation of workers' control (*control obrero*) in COMIBOL mines as workers won veto power over all decisions; and, 7) creation of the *Central Obrera Boliviana* (COB), a national labor federation under the leadership of Juan Lechin, one of the miners' top representatives. These measures naturally produced some splits within the ranks of the governing MNR but, for the moment, the armed workers in alliance with other oppressed sectors held more power than any other single sector.

The United States Plans Its Strategy.

The United States reacted cautiously to events in Bolivia. To the extent that the Bolivian bourgeoisie had crumbled away during the previous two decades, the United States was forced to keep a closer watch on the situation. Although it took no open steps to punish the Toro government for the 1936 nationalization of Standard Oil of New Jersey, the United States did refuse to recognize the Villarroel government until MNR leaders were removed from its first cabinet.

Since 1952 was an election year, the problem of Bolivia was left to the incoming Eisenhower administration. The Korean War again demonstrated that the United States

*Political parties and organizations are annotated and described in a special glossary on page 5.

could ill afford to lose Bolivia, the only major tin-producer in the Western Hemisphere. But the cold-warrior syndrome of Eisenhower-Dulles was tempered by the far-sighted advice of Milton Eisenhower, the President's brother.² U.S. Ambassador Edward Sparks convinced Milton during the latter's trip to La Paz that Bolivia could only be recaptured if a moderate, long-term strategy were planned.³

U.S. strategists clearly saw that, following the revolution, armed Bolivian workers held the key to power even though they did not have a very firm grasp on it. Labor Counselor Eugene A. Gilmore clarified this to a congressional committee, saying:

The revolution was engineered largely by miners and they are organized in what is known as the Central Obrero Boliviano. They still have the arms and still represent the effective force in this Government. . . . By and large it is probably true that in a showdown the armed civilian militia comprised principally of miners, are the ones who can control the situation.⁴

By refusing to recognize or deal with the new MNR government, the balance of power would swing even more in the workers' favor. An outright invasion, on the other hand, could be ruled out because of the proximity of the Korean War. In light of these considerations, U.S. strategy toward Bolivia developed into one maxim: "buy time" until a "shift in the balance of power" could be effected.⁵

Yet an imperialist victory in Bolivia required more than patience. Three crucial manipulations were necessary: 1) the division and demoralization of the proletariat; 2) the destruction of the petit-bourgeois-proletarian alliance by the creation of a reactionary petit-bourgeoisie; and, 3) the construction of a new bourgeoisie to replace the one traveling downhill since 1929.

A. Division of the Proletariat.

Since the early part of this century, labor unions rather than political parties have been the strongest organizational tool of the Bolivian left. Outstanding unions such as the FSTMB of the miners have defined the nature of the struggle and provided its leadership since the mid-1940's. Parties, on the other hand—aside from the MNR—tend to be small and play a leadership role only in so far as their militants are *also* union members. It is logical, then, that as political crises occur, the union rather than the political party takes upon itself the direction of the response, functioning "as a kind of soviet, fulfilling the responsibilities normally the preserve of the state."⁶

Yet history has shown that only a *political party*, based on the strength of the proletariat but more encompassing than a work-place organization, can develop and carry through a program designed to win power for the workers as a class. The union, by itself, "is able to develop only trade-union consciousness,"⁷ when what is needed is proletarian socialist consciousness. In short, unions isolated from a party tend to be over-concerned about short-term economic demands while neglecting larger issues of the securing of class power, react in a spontaneous rather than a politically conscious manner, and follow populist positions.

Without a working class political party to lead the masses, the MNR's reforms could not be turned into revolutionary measures. "Workers' control" in the COMIBOL mines led to the creation of a trade union bureaucracy, thus dividing each mine from the others and the miners from other laboring sectors. Revolutionary workers' control should have encouraged the realization

that worker control of *all* enterprises was necessary before worker control of *any* could be assured. "Co-government schemes without a proletarian party leading the government meant that the worker-ministers were used by the MNR to win mass support for bourgeois goals.

U.S. advisers in Bolivia may not have understood the conflict within the leftist movement in Leninist terms, but they did understand standard procedures of distributing enough money and materials to the unions to encourage graft among its leaders; or the placing of U.S.-trained "free labor unionists" in workers' organizations to influence political decisions; or, simply, how to encourage programs of short-term economist demands which, in effect, divided the labor movement within itself. The wheels of this U.S.-style machine were greased with U.S. aid money. When congressmen attending hearings on the aid program to Bolivia (\$20 million for fiscal year 1956, for example) complained that it was only "subsidizing inefficiency of production," they were reminded that "we are having to buy time here (Bolivia)."⁸

B. Destruction of the Worker-Petit-Bourgeoisie Alliance.

In 1952 the proletariat and the petit-bourgeoisie acted together for both classes suffered from the misrule of the oligarchy. Yet this alliance was particularly fragile as the petit-bourgeoisie always sought to maintain its vulnerable economic position. Although the United States poured over \$198 million into Bolivia between 1953 and 1961 (as opposed to only \$23 million from 1946-1952), the net effect of the aid was to disrupt the Bolivian economy in all but certain areas.

Mining production declined as workers encountered massive problems in the administration of an industry which had been disintegrating for over twenty years without capital input. By forcing Bolivia to compensate the "Tin Barons" for their nationalized mines, the United States further decapitalized the mining industry.

Disruption in the agrarian sector—especially on the highlands—in the early years of the agrarian reform and a U.S. Food-for-Peace program which sold Bolivia wheat at below world market prices discouraged producers from planting certain important food crops. These programs also led to the decay of the Bolivian flour milling industry since flour could be imported more cheaply from U.S. millers such as W. R. Grace & Co.⁹

Severe inflation and generalized economic disruption resulted from these programs. The cost of living rose from an index of 100 in 1952 to 2,270 only four years later.¹⁰ Since inflation greatly affected the petit-bourgeoisie, they soon broke their tacit alliance with the workers and sought a more familiar union with the newly-forming bourgeoisie.

C. Construction of a New Bourgeoisie.

U.S. imperialism cannot govern an exploited area without the direct participation of a local bourgeoisie. Bolivia in 1952 posed a serious problem to the United States since such a local force did not exist. In one of its most conscious acts, the United States proceeded to create a new bourgeoisie to replace the old divided and demoralized ruling class.

Bolivia is composed of three major geographical regions: the *altiplano* (highlands), the *yungas* (valleys or tropical highlands), and the *oriente* (eastern lowlands). Although most of Bolivian history has been concentrated on the

Glossary*

COB: CENTRAL OBRERA BOLIVIANA (Bolivian Workers' Federation).

Formed shortly after the 1952 revolution, the COB represents all sectors of the organized labor movement. The Banzer regime recently outlawed the federation in an attempt to smash it.

COMIBOL: CORPORACION MINERO DE BOLIVIA (Bolivian Mining Corporation).

State-owned mining corporation which took over the properties of the three largest mine owners (Patino, Aramayo and Hochschild) following the 1952 revolution.

DCR: DEMOCRACIA CRISTIANA REVOLUCIONARIA (Revolutionary Christian Democracy).

A 1970 split from the Bolivian Christian Democratic Party. The DCR is a movement based on radicalized petit-bourgeois intellectuals. It participated in the guerrilla movement of Teoponte, and joined the MIR in 1971. Member of the FRA.

ELN: EJERCITO DE LIBERACION NACIONAL (National Liberation Army).

Formed from the ranks of Che's guerrilla column, the ELN has carried on the majority of military attacks directed at the reactionary governments since Barrientos. It left clandestinity for the first time to fight against the Banzer coup d'etat on August 21, 1971. Member of the FRA.

FAR: FUERZAS ARMADAS REVOLUCIONARIAS (Revolutionary Armed Forces).

Formed after the defeat of Torres by Major Ruben Sanchez, head of the *Colorado* regiment, the only loyal troops in the fighting against Banzer. Ruben Sanchez had been captured and released by Che Guevara's guerrillas in 1967. Member of the FRA.

FRA: FRENTE REVOLUCIONARIO ANTI-IMPERIALISTA (Revolutionary Anti-Imperialist Front).

Formed immediately after the defeat of Torres as a coalition of the majority of leftist parties and movements in Bolivia.

FSB: FALANGE SOCIALISTA BOLIVIANA (Bolivian Socialist Falange).

Founded in 1937 by university students. Although it has gone through some opportunist political maneuvers, it remains the neo-fascist party of the upper bourgeoisie and the reactionary petit-bourgeoisie. The FSB has become very influential in the Banzer regime where its leader, Mario Gutierrez, is Minister of Foreign Relations.

FSTMB: FEDERACION SINDICAL DE TRABAJADORES MINEROS DE BOLIVIA (Bolivian Federation of Mine Workers).

Founded in 1944, the FSTMB has always been the most important single federation of mine workers and a key organization in the COB. It has been led by Juan Lechin since its earliest days.

MIR: MOVIMIENTO DE LA IZQUIERDA REVOLUCIONARIA (Leftist Revolutionary Movement).

Formed in May 1971 as a coalition of various popular, leftist and Marxist groups and parties. Recently split into two groups (MIR-Causa Obrera and MIR-DCR) over the question of mass political work or vanguard military actions. The MIR is strongest among the radical petit-bourgeois intellectual sectors of the urban areas and universities. Member of the FRA.

MNR: MOVIMIENTO NACIONALISTA REVOLUCIONARIA (Revolutionary Nationalist Movement).

Founded in 1941 as a nationalist coalition of the proletariat, petit-bourgeoisie and progressive bourgeoisie. Supported the Villarroel government (1943-46) and led the 1952 revolution. The MNR governed from 1952-1964 (Victor Paz Estenssoro: 1952-56; 1960-64; Hernan Siles Zuazo: 1956-60). General Rene Barrientos overthrew Paz at the beginning of his third term in office. The MNR returned to the government in 1971 in a coalition with the FSB and the Banzer regime. It recently broke that coalition. The Movement has gradually lost most of its worker base and now draws its strength from sectors of the bourgeoisie and the petit-bourgeoisie.

PCB: PARTIDO COMUNISTA BOLIVIANO (Bolivian Communist Party).

The PCB was organized in 1950 after a split within the PIR, an older Marxist party. A further split in 1964 divided the party into a pro-Soviet group (PCB) and a pro-China group (PC-ML). The party is strongest in urban areas and in some of the mines. It is presently led by Mario Monje and Koelle Cueto. Member of the FRA.

PC(ML): PARTIDO COMUNISTA (MARXISTA-LENINISTA) (Communist Party—Marxist Leninist).

Pro-China sector of the Communist Party which was formed in 1964. It is important among peasant groups and, when Frederico Escobar was alive, the miners. Member of the FRA.

PIR: PARTIDO DE LA IZQUIERDA REVOLUCIONARIA (Leftist Revolutionary Party).

Organized in 1940 by a group of Marxist intellectuals who accepted the direction of the Third International. The PIR, while very strong in organized labor before 1943, lost that support as a common front strategy allied it with the reactionary elements who overthrew Gualberto Villarroel. Since the revolution of 1952 it has been a right-wing party with very little support.

POR: PARTIDO OBRERO REVOLUCIONARIO (Revolutionary Workers' Party).

Founded in 1934 as a Marxist party of the petit-bourgeoisie and the proletariat. Since 1938 it has followed the ideological position of the Fourth International (Trotsky), and is now affiliated with the Paris-based *Organization Communiste Internationaliste*. It has been one of the strongest parties in the mines since 1946 and was key in the formation of the left-wing of the MNR before the 1952 revolution. The POR is presently led by Guillermo Lora. Member of the FRA.

PRIN: PARTIDO REVOLUCIONARIO DE LA IZQUIERDA NACIONAL (National Leftist Revolutionary Party).

Formed in 1964 by Juan Lechin, an important labor leader, who was expelled by Paz Estenssoro from the MNR. The strength of the party is in the mines as well as among the proletariat in general. It is still headed by Juan Lechin. Member of the FRA.

PS: PARDIDO SOCIALISTA (Socialist Party).

Recently founded by Marcelo Quiroga Santa Cruz, the Minister of Mines and Petroleum under General Ovando who nationalized Gulf Oil. Member of the FRA.

*This glossary is designed to provide short descriptions of the various political parties, movements and organizations in Bolivia. It obviously cannot replace the political analysis of these groups which is presented in the body of the articles.

relatively narrow *altiplano*, the eastern lowlands constitute 70 percent of the national territory. And, while mining generally occurs in the highlands, the eastern regions have abundant reserves of oil, natural gas, and wood, and present optimal conditions for the cultivation of rice, sugar, cotton, and the raising of cattle. The United States turned its energies to this region, centered around Santa Cruz, in the hopes of cultivating yet another cash crop: a bourgeoisie.

The early steps of creating an economic infra-structure in the region were finished by 1961. These included various projects designed to link the eastern region to the rest of the nation: completion of the Cochabamba-Santa Cruz highway with a \$50 million loan from the Eximbank (1953-4); construction of feeder roads and bridges on this highway with \$33.7 million in U.S. loans (1954-9); the Santa Cruz-Yacuiba, Argentina, railroad financed by Argentina (begun in 1955); and, the Santa Cruz-Corumba, Brazil, railroad financed by Brazil (begun in 1957). Other U.S. loans helped construct sugar mills, import mechanized agricultural equipment, explore for oil, support colonization programs, and subsidize sugar, rice and cotton producers.

By 1960 over sixty U.S. assistance projects were operating in Santa Cruz. And the other "crop" flourished, as well. In the 1960's and 1970's, the majority of national leaders from Barrientos to Banzer either have close ties to the Santa Cruz bourgeoisie or are its direct representatives.

The Politics of Repression.

By 1956 the U.S. strategy had begun to pay off. The correlation of forces within the country shifted out of the workers' favor; the United States had "bought enough time." Remaining phases of U.S. imperialist strategy would now concentrate on what was impossible in 1952: the physical repression of the workers' movement. In 1956 the United States forced through an International Monetary Fund-financed "stabilization" program. Designed to control the severe inflation, the IMF's plan actually aimed at controlling labor. The plan blamed the proletariat for the severe inflation rather than the bourgeoisie which had systematically decapitalized the tin industry, or the petit-bourgeois sectors of the MNR, up to their ears in graft.

The stabilization plan was drawn up by George Jackson Eder, a North American adviser invited to Bolivia by Paz Estenssoro only after the United States threatened to curtail their aid program.¹¹ One of its provisions greatly encouraged the creation of the Santa Cruz bourgeoisie. Dual exchange rates for imports were prohibited, thus crushing national industry which previously could import machinery and equipment at a low cost. But agricultural imports were also prohibited, thus strengthening the new eastern agricultural sector.

The United States also felt it was high time to reconstitute a full-scale armed force in Bolivia. Paz Estenssoro (1952-1956) authorized the re-opening of the Military Academy in July 1953, but only in 1956 did Hernan Siles (1956-1960) seriously construct an army. A 1956 report to the State Department by U.S. economic adviser Cornelius Zondag reminded Siles that he needed political strength to push through the IMF Stabilization Program. "At present," he wrote, "with the army reduced to a nominal force, and the miners and peasants armed, the government seems to lack a certain element of strength."¹² So the MNR re-built the army with large doses of U.S. aid and an extensive training

program for Bolivian officers in the Canal Zone and the United States.

The process of shoring up the ruling class and attacking the workers accelerated with the 1961 "Triangular Plan" financed by USAID, West Germany and the Inter-American Development Bank. The plan, highly touted by Kennedy as the model for Alliance for Progress lending and an early experiment in multi-lateral aid, required the massive firing of miners and justified the murder or exile of many of their leaders. Two years later, Paz Estenssoro officially rescinded the workers' veto (*control obrero*) in the COMIBOL administration.

By 1964 the twelve year U.S. aid policy had sufficiently disarmed the labor unions, split the MNR, rebuilt the military, and joined the petit-bourgeoisie with the new bourgeoisie to permit a more characteristic U.S. policy: support for an open military dictatorship. In that year Paz



Estensoro, mastermind of the MNR's opportunist wing, arranged for his third term in office. Yet over the years Paz had gradually lost the support of important right-wing sectors as well as the left. While he had hoped to substitute support from the military (created under his auspices) for that of the left, his plan backfired. General Rene Barrientos dumped him from office in a bloodless military coup late that year.

Characteristic of the new bourgeoisie, Barrientos came from the lowlands (Cochabamba Valley) rather than the *altiplano*. His economic base was cattle, and he had large herds in the eastern province of the Beni. In fact Lyndon Johnson, another cattle rancher, closely supported his rise to power. Barrientos, in return, threw his country open to U.S. investments. Gulf Oil is a case in point. In 1964 Gulf produced 3 percent of the total Bolivian petroleum output and the state agency, YPFB, produced 95 percent. Three years further into Barrientos' term, Gulf held 82 percent of production and the YPFB share slipped under 20 percent.

Characteristic of both the old and the new bourgeoisie, Barrientos had strong ties to the United States. As Commander of the Bolivian Military Academy in 1955, he received training in the Canal Zone. He later attended advanced classes as an air force general in Oklahoma. His U.S. connections, in fact, once saved his life. In early 1964 an assassin's bullet aimed at him was deflected by the set of U.S. Air Force wings which he proudly wore even though he was a Bolivian, not a United States, officer. Lest it lose a good investment, the United States rushed Barrientos to the Canal Zone in an airplane from the Military Group for emergency treatment.

The violent years of the Barrientos dictatorship during which the CIA openly ran the Interior Ministry (according to the Minister, Antonio Arguedas),¹³ greatly accentuated the contradictions building in Bolivia. Although he spiced his speeches with nationalist rhetoric, Barrientos mortgaged his government to the First National City Bank, W. R. Grace and Company, and Gulf Oil while the U.S. Embassy, Green Berets and the CIA called the political shots. It is true that Barrientos received some support from sectors of the peasantry which had developed a reactionary petit-bourgeois mentality following the agrarian reform measures of the 1950's. But his government brutally attacked the working class whenever the occasion arose.

It was with this knowledge of the heightened contradictions that Che Guevara began his fateful guerrilla column in Bolivia. Encouraged by the undying militancy of the Bolivian workers, Che foresaw the liberation of Bolivia as a strategic step in the liberation of all Latin America. "Che did not conceive of the struggle in Bolivia as an isolated fact," Fidel later wrote, "but as part of a revolutionary liberation movement which would permit the incorporation of all those who wanted to fight for the liberation of Bolivia and the rest of the peoples subjugated by imperialism in Latin America."¹⁴

Che encountered the same problem that has plagued the Bolivian left since 1952: no political party existed to direct and focus the struggle developing in the Nancahuazu region of Southeastern Bolivia. The importance of this cannot be underestimated. Le Duan, Secretary General of the Vietnamese Workers' Party (*Lao Dong*), has written: "the revolutionary army . . . can only be the workers' and peasants' army . . . placed under the immediate and undivided leadership of our Party, the party of the working

class. . . In general, one can say that revolutionary violence is based on two forms of struggle: armed struggle and political struggle, one combined with the other."¹⁵ Thus, a great danger exists for revolutionaries when these two struggles are separated.

Che often wrote in his diary that, "we continue without contacts of any kind and without reasonable hope of establishing them in the near future." The counter-insurgency forces led by U.S.-trained Bolivian Special Forces (Rangers), also understood the importance of isolating Che's column. When a miners' conference voted to support Che's forces in June 1967, the army moved in and massacred more than 100 at the large *Siglo XX* mine.

Though momentarily defeated, Che's guerrillas produced a profound and lasting effect in Bolivia. Fidel has summarized the idea which Che left in Bolivia, writing that "in all ages and under all circumstances there will always exist abundant reasons not to fight, but that will be the only way not to obtain liberty. Che did not outlive his ideas, but he fecundated them with his own blood."¹⁶

Military Nationalism and the Masses.

The death (or murder) of Barrientos in a helicopter crash in 1969 opened the road for the governments of two military nationalists following a short civilian interregnum. The regimes of General Alfredo Ovando (1969-1970) and General Juan Jose Torres (1970-1971) contained many similarities. Both generals knew that only by moving the military within a nationalist framework could they protect its institutional continuity. Under Barrientos the military had become so unpopular that, according to Torres, "we were not even able to get on to the buses."¹⁷ The power of both, according to Rene Zavaleta, was

rooted in the army and based on personal control. Both carried out nationalizations, were dominated by institutional loyalty and negotiated with the imperialist powers. But here the similarities end. While Ovando believed he could buy off the working class by nationalizing oil, and could then adopt a reactionary line, Torres was well aware that he had an active and powerful working class to deal with, and that without the workers, the balance on which his power rested would have collapsed. Ovando believed that once he had nationalized Gulf Oil he could massacre the guerrillas (the ELN column at Teoponte) and carry out assassinations with impunity. He wanted both to wipe out the most dangerous elements on the left and to maximize the army's prestige. Torres, however, knew the limitations of his power, but wanted such a limited power since the price of real power was a weaker army and a stronger working class.¹⁸

As Zavaleta points out, the biggest difference between the two was the role of the working class in the Torres government. Organized proletarian support brought Torres to power in 1970; the workers had just watched Ovando's installation. As in earlier periods of Bolivian history, the workers' support could maintain the government in power—at least temporarily—but it was not sufficiently strong to dictate its course. The old problem of the Bolivian left persisted: unions, given to spontaneous activities and close to populist leaders, formed the backbone of its organization, not political parties.

*Ovando nationalized Gulf Oil in 1970; Torres nationalized the Matilde zinc mine owned jointly by U.S. Steel, Phillips Brothers Ore Corporation, and Englehard Minerals and Chemical's Corporation. He also nationalized the properties of the Dallas-based International Metals Processing Company.

The Torres government reach its high point with the convocation of a Popular Assembly, a measure demanded by the workers and peasants who supported the general's bid for power. The Assembly was to represent the working class in the same way that the Congress had always represented the bourgeoisie and the petit-bourgeoisie. One hundred and thirty-two worker delegates, 53 delegates for white collar groups, 23 for the Independent Peasants' Confederation and 11 for the most important left parties composed the bulk of the Assembly.

Did the convocation of the Assembly herald the creation of a workers' state? The leftist political parties disagreed in their analysis of this question. But most saw the Assembly as an early stage of, or transition to, the proletarian state, and none viewed it as the final culmination of the socialist revolution. In the final analysis, though, the Assembly failed to develop into the political organ of a workers' state since it neglected the fundamental problem of power, of its own defense.

Torres feared the workers as much as he realized that he could only survive if they remained strong. This contradiction prevented him from arming them until it was too late. On the other hand, the Assembly, or elements within it, pressed for certain revolutionary structural changes in the country without also tackling the problem of self-defense from the inevitable counter-revolutionary offensive.

The political situation of 1971 resembled that of twenty years earlier in that during both periods the proletariat was well organized and militant. Furthermore, sectors of the petit-bourgeoisie stood with the workers in 1971 as in 1952 since their economic foundation was shaken by both preceding governments. But the similarities ended at that point, for by 1971 the U.S. strategy of re-building the Bolivian bourgeoisie had definitely paid off.

The Santa Cruz Bourgeoisie and the Reactionary Offensive.

The Santa Cruz bourgeoisie had prospered with the region's cash crops and basic resources. For example, while *altiplano* production of corn and potatoes increased 21 percent and 31 percent respectively between 1962 and 1971, production of cotton (up 809 percent), coffee (+375 percent) and sugar (+242 percent) had boomed. Production of petroleum, natural gas, iron and cattle from the Santa Cruz region also flourished.

A large part of the new bourgeoisie found political expression in the ranks of the *Falange* (FSB). The *Falange* is a neo-fascist party founded in 1937 by five university students and modeled after the Spanish fascist party of the same name. Instrumental in overthrowing the Villarroel government in 1946, the *Falange* fostered continual attempts to remove the MNR during its years in power. While the party's main strength is in the Santa Cruz region, it is very strong among university students and other sectors of the urban petit-bourgeoisie. In many respects it is similar to the Chilean National Party as both draw their strength from the upper bourgeoisie and the reactionary sectors of the petit-bourgeoisie.

Falangist elements have dominated Bolivia since the reactionary coup d'etat of August 21, 1971. The first government established after Torres' downfall illustrates their force and the important role of the Santa Cruz bourgeoisie. The new president, Col. Hugo Banzer, a former

military attache to Washington, based his power in Santa Cruz, headquarters of the party. The Foreign Minister Mario Gutierrez, leader of the party since 1958, is one of the wealthiest Santa Cruz cattle ranchers. He also has strong ties to the reactionary governments of nearby Paraguay and Brazil. The Falangist Carlos Valverde, Minister of Social Services and Public Health, is a well-known liquor and cigarette smuggler who operates between Santa Cruz and Paraguay.

The Santa Cruz connection was important in the naming of the other new ministers as well. Hugo Gonzales, Minister of Information, had carried on a persistent press campaign in favor of Gulf Oil (located in Santa Cruz) during the Ovando government when he ran the important paper, *La Nacion*. Ciro Humboldt (Labor), Carlos Serrate (Mining and Petroleum), Enrique Leigue (Urbanism and Housing), Col. Gil Reyes (Agriculture), and Raul Lema Pelaez (Treasury) are all members of the Santa Cruz bourgeoisie. Col. Andres Selich, Interior Minister, combined a Santa Cruz background with extensive training by the U.S. military in Panama and the United States. His Rangers were responsible for the death of Che in Nancahuazu in 1967.¹⁹

Santa Cruz's proximity—political and ideological as well as geographical—to Brazil, Argentina and Paraguay confirmed Che's political analysis of 1967. In response to the revolutionary threat of the Popular Assembly, the international bourgeoisie sowed the seeds of another Vietnam in Bolivia. The struggle of the Bolivian people became internationalized when the reactionary oligarchy of Santa Cruz turned to Brazil, Argentina, Paraguay and the United States for aid in overthrowing Torres and supporting Banzer. (See "Bolivia: Brazil's Geopolitical Prisoner" and "Alliance for Power" in this issue.)

Since August 1971 Bolivia has been brutalized by Hugo Banzer and his Santa Cruz allies. He has governed, until recently, with the combined support of the MNR and the FSB, arch-enemies of yesterday. The U.S. strategy for Bolivia, it seems, has paid off: it is no longer "buying time" in this land-locked country. Yet its all-out determination to destroy the leftist parties and its attempts to crush the labor movement can only mean its time is swiftly running out.

Labor militancy has not decreased since the coup. In fact, previously moderate sectors of the labor movement have become increasingly radicalized in the face of government attempts to destroy their organizations. Following the late 1972 devaluation of the Bolivian peso by 67 percent, the textile workers took to the streets to protest the exorbitant increase in their cost of living. Bank employees, teachers, miners and others have also militantly demonstrated their opposition to the Banzer regime, undoubtedly the most repressive in Bolivian history. And leftist leaders, jailed, exiled and persecuted, manage to return to the struggle at the first opportunity.

Given the predominant level of U.S. and Brazilian support for the Banzer regime, the present popular movement focuses on the contradiction between imperialism and the exploited countries. The vast majority of leftist and popular parties and organizations have joined the Revolutionary Anti-Imperialist Front (FRA). The FRA's unity, which represents only the first step in a very long march, was forged in the heat of battle on August 21, 1971. On that date, for the first time since 1952, all sectors of the left fought together against the common enemy. "Today's

struggle is between the majority of the Bolivian people," states a FRA manifesto, "and the reactionary dictatorship of Banzer. All forms of sectarianism are counter-revolutionary. Let us be worthy heirs of the sacrifice of those who fell on August 21st while defending Bolivia."²⁰

Pressure from the left and the internal contradictions of his own coalition are forcing Banzer into a corner. Members of his own political police squad recently beat to death their former leader, Col. Andres Selich, after he had begun to attack Banzer from the right. The MNR-FSB coalition shattered in late November 1973, and the old opportunist, Paz Estenssoro, has again been forced into exile.²¹ And even junior officers of Banzer's own military institution have begun to protest the massive mortgaging of the country to foreign capitalists.

While Banzer has nearly run out of strings to pull in order to maintain himself in power, the future success of the Bolivian revolutionaries depends on their ability to unify their ranks, combat sectarianism and form a political party capable of directing their struggle. When the workers' traditional militancy is channeled into a revolutionary political instrument, the victory will be theirs. The war goes on!

—Steve Volk

FOOTNOTES

1. See Sergio Almaraz Paz, *Petroleo en Bolivia*, 2nd ed. (La Paz: Jose Camarlinghi), 1969. For more on the Chaco War, see Herbert S. Klein, *Parties and Political Change in Bolivia, 1880-1952* (Cambridge: Cambridge University Press), 1969.

2. Milton Eisenhower's recommendations for his brother's Latin American policy were written in his book, *The Wine is Bitter: The United States in Latin America* (Garden City: Doubleday), 1963.
3. Drew Pearson, "Wise U.S. Policy Paid Off in Bolivia," *The Washington Post*, March 22, 1967.
4. House of Representatives, Subcommittee on the Committee on Government Operations, *Hearings on United States Technical Assistance and Related Activities in Latin America*, 84th Congress, 1st Session (October 1955), 384-5.
5. *Ibid.*
6. Rene Zavaleta Mercado, "Bolivia—Military Nationalism and the Popular Assembly," *New Left Review*, Vol. 77, 70.
7. Lenin, "What is to be done?" *Selected Works*, Vol. 1, 128-29.
8. House of Representatives, Subcommittee of the Committee on Government Operations, *op. cit.*
9. Melvin Burke, "Does 'Food for Peace' Assistance Damage the Bolivian Economy?" *Inter-American Economic Affairs*, Vol. 25, no. 1 (S. 1971), 3-19.
10. Cornelius Zondag, *La economia boliviana, 1952-1965* (La Paz-Cochabamba: Los Amigos del Libro, 1968), 84.
11. George Jackson Eder, *Inflation and Development in Latin America. A Case History of Inflation and Stabilization in Bolivia* (Ann Arbor: University of Michigan Press, 1968), 479.
12. Cited in Laurence Whitehead, *The United States and Bolivia: A Case of Neo-Colonialism* (London: Haslemere Group, 1969), 23.
13. See Gregorio Selzer, *La CIA en Bolivia* (Buenos Aires: Hernandez Editor), 1970.
14. Fidel Castro, "A Necessary Introduction," *The Diary of Che Guevara* (San Francisco: Ramparts Magazine, July 27, 1968), 6.
15. Le Duan, *La revolucion vietnamita* (Buenos Aires: La Rosa Blindada, 1971), 25, 41.
16. Castro, *op. cit.*
17. Zavaleta, *op. cit.*, 64.
18. *Ibid.*, 65.
19. Rogelio Garcia Lupo, "Los separatistas de Santa Cruz dominan completamente al gobierno derechista boliviano," *Inter-Press Service* release NRO 992/971, August 1971.
20. "Manifiesto del FRA," *Causa Obrera* (Bolivia), Vol. 1, no. 1 (December 1972), 23.
21. *New York Times*, January 9, 1974.

SHOW OF SUPPORT: In La Paz, miners waving dynamite sticks vow to defend government of Gen. Juan José Torres



"Bolivia Will Be Socialist Or It Will Never Be A Modern Country"

In November 1972, NACLA interviewed *Rene Zavaleta Mercado* in Santiago, Chile. Zavaleta is a National Director of the Bolivian *Movimiento de la Izquierda Revolucionaria* (MIR), and was one of the Party's founders. He served as Minister of Mines during the last MNR government before the Barrientos dictatorship and established a national resources policy which led to the nationalization of the Gulf Oil Company in 1970. Imprisoned and then exiled by the Banzer regime, Zavaleta came to Santiago as a delegate of the newly formed *Frente Revolucionario Anti-Imperialista* (FRA). Last year, the MIR split into two sectors, the "MIR-Causa Obrera" and the MIR-DCR. Zavaleta represents the position of the former.

NACLA: Can you tell us something about the formation of the Bolivian MIR and the role it played in the Popular Assembly during the Torres government?

RENE ZAVALETA MERCADO: The MIR was formed May 1971, three months before the fall of the Torres government. It resulted from a fusion of the *Grupo Espartaco*, the *Democracia Cristiana Revolucionaria*, a segment of the *Partido Comunista (Marxista-Leninista)*, the Independent Marxists, and a Marxist faction inside the MNR, of which I was a member.

All these groups were discontent, some because of their isolation (e.g. the Spartacists), some because they could no longer remain in their old parties which had moved to the right (e.g. the leftist sectors of the MNR), and some because they had become increasingly radicalized after the guerrilla movement of Nancahuazu (e.g. the DCR).

The MIR neither participated in the Torres government nor did they support it. It fought on August 21, 1971, however, when the reactionary military forces rebelled, but only to defend the Popular Assembly, not the Torres government. From the beginning we held that the Popular Assembly represented the legitimate government of Bolivia, even though this meant accepting the existence of Torres' regime.

We were not strong enough, however, to decisively influence the Assembly. Basically, we criticized the scant attention the Assembly paid to the problem of its own armed defense. And the events of August 21 prove that the Assembly neglected this aspect of its organization. . . .

In Bolivia the left always tends either to over-stress military preparedness or to neglect it totally. the ELN suffered from the first error while the Popular Assembly suffered from the second. In the case of the Popular Assembly, there was no relation between its importance as the representative of the masses, as a true Soviet, and the scant attention which its leaders paid to the real aspects of the struggle for power, especially the military ones.

This resulted because of certain historical circumstances. The mass movement in Bolivia has always been more vigorous than those parties which drew their members from it. While this has fostered spontaneity within the working

class, what happened in the Assembly flowed logically from this defect. The most serious problem for the Bolivian Revolution remains the limited existence of workers' parties within the mass movement which, nevertheless, is perhaps the most advanced in all Latin America.

NACLA: At times it seems as if the MIR represented a middle position between what we might characterize as the political-mass orientation of the POR and the PCB, and the military-vanguard position of the ELN. How do you view this?

RZM: An answer can be found in the last part of the previous question. When the MIR formed, we had a certain eclectic vision of the Bolivian left which perhaps reflected our own composition. It seemed to us that the most important political act consisted in unifying two groups: that which most clearly represented the radicalized petit-bourgeoisie (the ELN) and those parties with a worker base (the PCB and the POR). This belief derived from the undeniable fact of the existence of an isolated but very advanced working class; one, at the same time, which represented only a minority in a country overwhelmingly composed of peasants. Every time the proletariat has become isolated, it has been defeated. In the final analysis, for example, the guerrilla movements of Nancahuazu and Teoponte failed because they remained completely marginal to the working class. In Bolivia, any movement which takes place without links to the proletarian movement is destined to limp along or simply perish.

This was our thought when we founded the MIR, what we wanted to introduce as a major political point in the Popular Assembly, and what we have pursued in the FRA, by whose very creation we achieved one part of what we sought. To us, it seemed that an armed movement marginal to the working class was an absurdity, an anti-Marxist dogma. But, at the same time, we thought that the lack of concern with armed organization constituted the proletariat's weakest link.

History has shown us, nevertheless, that one does not cement relationships between radically different concepts merely by acts of good faith. The only circumstances under which the MIR could have remained united would have been if its non- or pre-Marxist sector had agreed to follow the Party's Marxist-Leninist line. As the majority inside the Catholic groups did not do this, the MIR split, and the greater part of the Revolutionary Christian Democracy (DCR) quit the party.

On the other hand, before the FRA could become an effective instrument for revolutionary unity, it would have been necessary for its vanguard groups to agree to follow the leadership of the proletariat. This is, above all, what its prior experience has shown. This does not mean, and we should understand this clearly, that one party must place itself under the discipline of another but some parties, for example, would have to abandon certain points in their general conceptions.

NACLA: What are the perspectives for the FRA's building a unified anti-imperialist movement in Bolivia?

RZM: There are two basic positions within the FRA. One is represented by those parties and movements linked to the advanced sector of the working class (PCB, POR, MIR-Causa Obrera, PS), the other by the alliance between vanguard groups and populist parties (PRIN, ELN, MIR-DCR, PCML).

As far as the perspectives for truly unified action by the left, we must distinguish two kinds of situations. When faced with sudden crises (August 21, 1971, for example), the left must act together, regardless of what positions may have been taken in the past. Similar situations undoubtedly will occur in the future, and we must assure a unified response at those times. Nevertheless, if this unity means an end to ideological struggle, it would be reactionary to propose such a measure. The result would be an eclectic program. We think that the ability to grow while waging intense ideological struggle is at the very heart of revolutionary movements. The right is less easily divided because material interests draw it together. On the contrary, the leftist movement is bound together by its ideological program, that is to say, the organized consciousness of its members. This means that divisions of the left are sometimes necessary in order to facilitate the triumph of the correct position.

Now, we cannot evaluate the validity of a position on the basis of theoretical canons alone. The test of a line's accuracy is measured through practice, by its encounter with reality. Leninism, for example, won out over other positions in the Russian left because it responded best to the reality of the situation. In the final analysis, the moment of revolutionary crisis will determine a position's correctness.

We believe that Bolivia represents the case of a powerful mass movement linked to a weak vanguard. For this reason, the creation of a proletarian party, or the expansion of existing workers' parties, is the principal task of our time. The possibilities along this line are quite exciting.

The decadence of populism (nationalism) is, for example, evident. The MNR, the largest democratic-bourgeois party in Bolivian history, is condemned to a slow but inevitable decline. It is also improbable that the masses can place much faith in military nationalism following their experience with Ovando and Torres. Finally, the internal frustrations of *foquismo** mean that the petit-bourgeoisie, which became radicalized inside the theory and experience of guerrilla movements, will remain within the left but now will relate directly to the workers' movement. In all these sectors the workers' parties have ample basis for a period of accelerated growth.

NACLA: What role has U.S. imperialism and Brazilian "sub-imperialism" played in recent events in Bolivia?

RZM: Bolivia today is a country occupied by the United States. Banzer's military dictatorship responds in every fundamental aspect to the necessities of the North Americans. Excepting Ovando's and Torres' governments, this has been the case since 1964. And we should not forget that imperialism also penetrated the MNR governments (1952-1964).

Imperialism governs through the armed forces—which it intensely indoctrinates—and through the bourgeoisie which characteristically plays and intermediary role.

* Theory that the guerrilla base (*foco*) defines the nature and direction of liberation struggles. See, for example, Regis Debray, *Strategy for Revolution: Essays on Latin America*, Robin Blackburn, ed. New York: Modern Reader, 1971.

The terror unleashed by these two forces after August 21, 1971 has been very intense. . . . But terror, as is known, can only be successful if accompanied by a high degree of economic development or when supported by a rigid traditionalist class system as in Franco's Spain. Neither of these can flower in Bolivia. Quite frankly, we believe that Bolivia can never develop under capitalism. Bolivia will be socialist or it will never be a modern country.

We believe that there has been some misunderstanding when speaking of so-called Brazilian "sub-imperialism." It is not clear exactly what this concept means within the Marxist theory of imperialism. Bolivia is occupied by imperialism, by the United States, and not by Brazil. If, in a given moment the North Americans decide to use Brazil as an agent of imperialism, this in no way implies that Brazil has ceased to be a principal subject of U.S. imperialism. Brazil today, like Bolivia, is an occupied country.

NACLA: The devaluation of the Bolivian peso by 67 percent in late 1972 touched off an intense period of unrest capped by a wave of strikes among textiles workers and bank employees. What significance do these strikes have and do you think the Banzer regime will be able to maintain itself in power?

RZM: The strikes of the textile workers and bank employees at the end of 1972 demonstrate the importance of an element which we call a class' ability to "accumulate experience". Today, Bolivian workers are capable of organizing themselves even when all their leaders are being persecuted. This is possible because the method of direct mass action has already been incorporated into the proletariat's consciousness.

When a mass movement reaches the level of Bolivia's, the bourgeoisie can only survive by implanting a dictatorship. But the construction of a viable dictatorship presents the bourgeoisie with enormous problems since its internal contradictions rapidly surface. Under these circumstances it makes sense to fight for the restoration of a democratic regime and the granting of democratic freedoms for the popular movement. If this is accomplished, one can then take advantage of these favorable conditions to expand the previously mentioned proletarian parties. It is also possible that a mass spontaneous explosion—an inherent characteristic of our movement which is both its strength and its weakness—will occur once again, taking advantage of one of Banzer's many crises.

Both the North Americans and Banzer already have failed. Now they are merely trying to survive in the best manner possible. We must expect from them any type of reactionary offensive, because they have previously shown that they are capable of doing anything to keep themselves in power. The United States for us represents a structure of power which is not only imperialist, but which encompasses inside itself the most vicious and criminal tendencies known in the world's history.

NACLA: What can the leftist and progressive movement in the United States do to support the Bolivian people's struggle for liberation?

RZM: We have had very little contact with North American progressives. Nevertheless, it seems to us that they believe the struggle of the Latin American left focuses around guerrilla movements. The best way North American progressives can help us is by learning the real history of our popular movements and distinguishing among them. The history of the Bolivian working class, for example, is one of the most brilliant, militant, and consistent. North American progressives should place their hopes of revolution on the Bolivia proletariat; that is whom you should support.

Tin and Imperialism

The world's knowledge of Bolivia is quite limited. Yet it is only because of Bolivia's tin and its tin-miners that the world knows anything at all. The international division of labor and an economic order which is the reflection of this contemporary incoherent system have taxed Bolivia doubly: the fruits of the miners' labor are enjoyed more in New York or London than on the solitary mountain where that labor is performed. Furthermore, the pittance left by the plunderer will be used to feed only the parasitic sector of the country, a country which has no existence other than tin. . . . All of Bolivian life is surrounded by one monstrous fact: he who owns the tin will own the country, but to own it means to destroy those who produce it.

Sergio Almaraz Paz¹

Since the discovery of the Potosi silver mines in the sixteenth century, the Bolivian economy has been solidly based on its mining industry. Silver from the "Cerro Rico" of Potosi was perhaps the single most important financial support of Hapsburg Spain. But the generalized mining depression of the seventeenth century, the rise of Mexican mining in the eighteenth and the turmoil of the wars of independence in the nineteenth century, all tended to tarnish the luster of the Bolivian precious metals industry. Nevertheless, increased European demand for silver in the late 1850's gave fresh wind to that tired industry and simultaneously created the basis for the emergence of a new political order in Bolivia.

The leaders of the new order parlayed Chilean compensation for the lands seized during the War of the Pacific* and this new silver boom into development of an economic infra-structure. The silver boom carried Bolivia into the twentieth century, but it was tin, an habitual by-product of silver mining, which formed the basis of the modern Bolivian economy.²

A simultaneous fall in the world price of silver and a rise in the price of tin greatly stimulated tin production. By 1920 Bolivian workers produced nearly 50,000 tons of tin concentrates annually, slightly less than one-quarter of total world production. Even more striking is the speed with which tin surpassed all other exportable products. By 1925 tin accounted for more than 70 percent of all exports leaving Bolivia.

With the stock market crash of 1929, though, Bolivian tin exports plummeted as did tin prices which fell over 60 percent between 1926 and 1932. Revenues from Bolivia's most important source of foreign exchange dropped to dangerously low levels. In 1932 total earnings from tin exports amounted to a paltry \$10 million.³ This prompted a contemporary economist to remark: "The present intense

malfunctioning of the national economy has no parallel in any other crisis ever suffered by the nation."⁴

The only event dramatic enough to pull Bolivia out of its economic decline was World War II. "Tin," as Lyndon Johnson once recalled, "as we all know, is one of the most vital materials to our national defense. Tin plate is a carrier of food. Tin is a component part of almost every imaginable machine, vehicle, aircraft, ship."⁵ With the fall of the Malayan straights to the Japanese, Bolivia became the Allies' largest tin producer within a secure shipping zone. Bolivia's percentage of total world exports in tin, only 16 percent prior to 1941, therefore increased dramatically. During World War II, Bolivia's tin exports accounted for approximately 67 percent of the world's tin concentrates entering trade channels.⁶

The direction of the commerce in tin proved as important as the quantitative increase in trade. England traditionally served as the major market for Bolivian tin concentrates since the largest refining plants were located there. With the coming of the war, though, the U.S. Metals Reserve Company contracted with Bolivia for the purchase of all Bolivian tin, with the exception of that already scheduled for Britain.

For the United States, the Second World War was its great opportunity to replace England in the control of tin. During the war, Bolivia had to sell the United States its tin at the "democracy price" of 42c per pound for five years even though the world price reached approximately \$4.96 per pound by 1945. Thus, the Bolivian contribution to the U.S. war effort amounted to more than \$600 million, and the United States retained a large stockpile of the important metal.⁷

The Tin Barons.

As the tin industry expanded in Bolivia, three men came to control its development: Simon I. Patino, Mauricio Hochschild and Carlos Aramayo. From the late 1920's until the nationalization decree of 1952, the miners working in their mines consistently produced at least 75 percent of Bolivia's tin exports.

Although both Patino and Aramayo were born in Bolivia, they, together with European-born Hochschild, represented the larger currents of international capitalism in Bolivia. In fact, the twenty-year period between 1908 and 1928, which witnessed a substantial influx of foreign private capital into Bolivia, produced the demise of many small national concerns. This trend reached an extreme in the mines where, by 1924, foreigners controlled two-thirds of the Bolivian mining industry.⁸

A history of Simon Patino's early years in the mining industry is suggestive of the wider process by which foreign capital entered and then dominated the industry. Born in 1860 in the Cochabamba Valley, Simon Patino rose in

* The War of the Pacific (1879-1884), fought between Bolivia, Peru and Chile, ended with the latter's total victory. As a consequence of its defeat, Bolivia lost all its lands on the Pacific coast, including the important ports of Antofagasta and Arica. In a treaty signed between Bolivia and Chile in 1904, the latter agreed to build a railroad between Arica and La Paz and to pay retributions to Bolivia in return for the huge chunk of land.

"Horatio Algeresque" fashion to become one of the world's most influential figures in mining and refining.⁹ At the age of 24 he signed on as clerk of the Chilean-controlled *Compania Huanchaca de Bolivia*, one of the largest silver mining companies in Bolivia. For years after, until 1897, he worked with the German mining firm of Fricke and Company. Having saved sufficient capital, he purchased first 50 percent and then all of "La Salvadora," a silver-tin mine near Oruro. The mine proved to be one of the richest tin producers in Bolivia, and Patino applied the most modern methods to its exploitation.

By 1910 when Patino's mines accounted for 10 percent of the world production of tin, he turned his sights to the construction of a vertically integrated metal industry. The most important link in this plan was the European tin refining industry. Even before 1910 Patino bought into the German smelting firm of Zinnwerke-Wilhelmsburg, but with the First World War he shifted his interests to the Williams, Harvey and Company refinery in Liverpool, the largest European tin smelter. Patino allied with the large National Lead Company of the United States and forced his entry into Williams, Harvey which, before long, he also controlled.

Following the passage of a new tax law in Bolivia in 1923, Patino incorporated his vast holdings in Delaware. He retained his alliance with National Lead, and the two corporations exchanged stock and directors.

The basic points which emerges is that Bolivian interests retained very little control over the development of tin in their country. Hochschild, representing Chilean capital, bought out the Bolivia-owned Soux Companies which were active in mining in the Potosi region in the early 1920's. Aramayo, who had entered the mines with national capital from very traditional sources, also moved his business operations outside of Bolivia, in this case to Switzerland.

Besides the Tin Barons, two North American corporations actively pursued profits in the Bolivian mines. In the 1920's, the Guggenheims controlled the important Caracoles Tin Company of Bolivia. And, finally, W. R. Grace organized the International Mining Company, a large producer of Bolivian wolfram during World War I and actively competed with Williams, Harvey (Patino) and American Smelting and Refining (Guggenheim) for the control of the refining industry.

The lesson learned by the Tin Barons during the depression was a simple one: Bolivia, the country with the most costly tin production structure,^{*} was not the best location for future investment. Thus, beginning in the late 1920's, the Tin Barons began to move their profits out of Bolivia, effectively decapitalizing the industry which served as the foundation of the economy. From 1928 to 1950, capital invested in mining increased by only \$1.2 million at constant 1950 prices.¹⁰ Profits were re-invested in mining in Malaysia, Nigeria and Canada, and in refining plants in Holland, Germany and England. Thus, when the mines were nationalized in 1952, the Bolivians inherited empty veins, useless shafts, and the most costly tin production methods in the world.

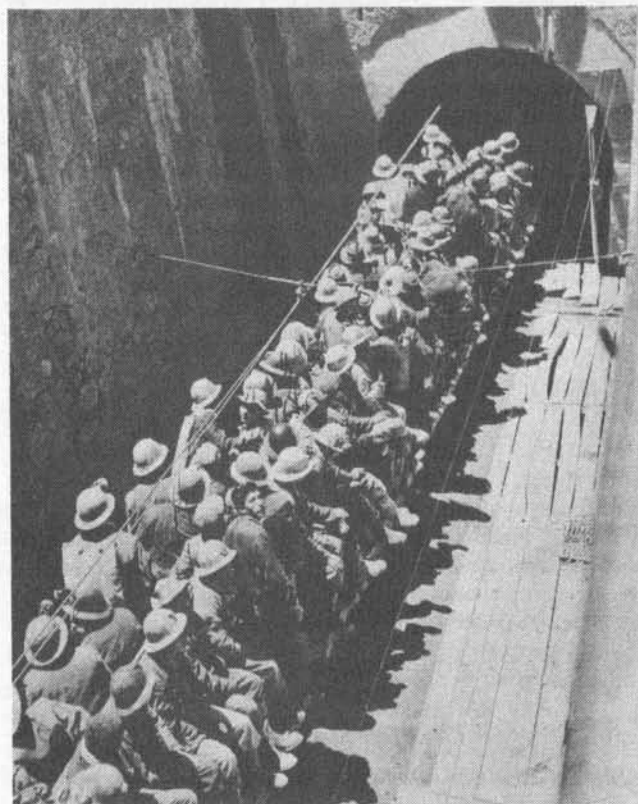
^{*}Bolivia is the only country among the major tin producers where tin is mined from the hard rock below ground. All other major producers employ dredge mining techniques which are much less costly.

The Tin Miners—Development of a Class Conscious Proletariat.

The structure of the Bolivian economy, its orientation to world markets and sensitivity to world prices, which have historically demonstrated a large degree of instability, and the fact of its control by foreign capital sources all have affected the formation of the Bolivian proletariat. Although mutual aid societies emerged in Bolivia as early as 1854, the modern workers' movement did not develop until the period of economic growth at the end of the nineteenth and start of the twentieth century.

When we consider Bolivia's total laboring population, including both rural and urban sectors, we see that prior to 1952 relatively few workers participated in the organized labor movement. The small size is indicative of the structural limitations of an economy which could provide permanent cash wages to relatively few people. These same factors discouraged the movement of a large number of European immigrants to Bolivia. The indigenous nature of the Bolivian workers' movement sets it apart from those South American countries where immigrant labor helped to swell the ranks of organized labor. Finally, the absence of large-scale manufactures or industries in the Bolivian cities slowed the process of urban migration in the first third of the twentieth century and gave urban labor the qualities of an artisan movement.

The labor movement in La Paz, Potosi, Oruro and other urban areas of Bolivia found expression in mutual aid societies, guilds, emerging party organizations and modern trade unions. In the mines, though, the union alone served the workers' needs, expressed their demands, and fought the majority of their battles, at least until the 1940's. Compared to the small shops which predominated in the urban wage economy, the units of production in the mines



were quite large, thereby helping to create a qualitatively different movement. The oligopolistic concentration of capital in the tin industry also accentuated this trend.

Concentration of mining control into progressively fewer hands gave an inordinate amount of political, social and economic power to a tiny bourgeoisie, often creating obstacles to the development of an organized miners' movement. In the early days of tin mining, employers could easily break the back of any workers' movement by turning to the large pool of peasants previously excluded from the monetary sector of the economy. Yet if the strength of the owners was all to apparent, even more compelling factors led the miners to organize. Mining, perhaps more than any other job, demands the solidarity of its working force if accidental deaths or injuries are to be prevented. Working in close quarters under the most difficult circumstances, miners quickly learned the necessity of mutual reliance and support. The lessons absorbed in the mines, in turn, facilitated the growth of a class conscious mining proletariat and made it the vanguard of the working class movement.

Mining unions began to spread after 1914 when the first was formed at the Huanchaca mine. Many, if not most, of the unions organized their workers around the broad ideologies of Marxism or anarcho-syndicalism. Traditional labor histories suggest that radical thought was "imported" into Bolivia and that, once there, its career was faltering at best. Yet anarcho-syndicalism and Marxism are models for understanding reality, not pieces of baggage which can be slipped into a country while customs officials are momentarily occupied. Knowledge of European, Argentine and Chilean radical thought entered Bolivia through many doors in the first two decades of the twentieth century. Workers accepted Marxism, for example, because it best explained the cause of their abysmal existence within their own social system and, because of that, offered them a means by which that system could be destroyed.

While labor organizing advanced in the cities under the leadership of the railway and tram workers and the typographers, in the mines broader organizational forms materialized following widespread strikes. The *Federacion Obrera Central de Uncia*, the most important of these, was founded on May 1, 1923, by workers at the large mines in the Oruro-Potosi region including Patino's "*La Salvadora*" and the Chilean-controlled "*Compania Estanifera de Llallagua*." Under the leadership of Guillermo Gamarra, the Federation energetically fought to organize all the workers both inside and outside the mines. When company administrators called Gamarra in to insist that the Federation limit its organizing to the Uncia area, he responded that the Federation proposed to establish relations with all Bolivian workers' unions. "Otherwise," he continued, "we could not accomplish the lofty goal which these diverse federations seek: social revolution."¹¹

When the Federation demanded freedom to organize without fears of reprisals, the company unceremoniously rejected its demands and detained its leaders. The government entered the picture when the President placed the country under a state of siege and sent four army regiments to Uncia. On June 4, 1923, the workers and their families gathered to protest the detentions. Emilio Diaz, the Chilean administrator of the Uncia mines, ordered the soldiers to turn their fire on the crowd, producing yet another of the many massacres which have occurred in the Bolivian mines.

Organization among the miners continued to grow in the 1930's under the protection of the "military socialists," Col.

David Toro and Lieut. Col. German Busch. While these two military officers who governed shortly after the disastrous Chaco War (See "Bolivia: The War Goes On" in this issue) never favored the growth of an independent proletarian organization, they did provide certain objective conditions in which the workers' movement could grow without threat of annihilation.

In 1943 the miners were again given the conditions needed for basic organizational work when another young military nationalist, Major Gualberto Villarroel, assumed the presidency. A year later, they formed a national miners' federation, the FSTMB, which, to this day, has been at the forefront of the workers' struggle in Bolivia.

The basic impetus for the creation of the FSTMB came from the newly-created MNR, an amalgam of the proletariat, petit-bourgeoisie and the liberal bourgeoisie, which stressed a nationalist, pro-capitalist and anti-imperialist position.* Nevertheless, once allowed to organize by the MNR-supported Villarroel government, the miners' federation soon adopted authentic working class positions which were based on the understanding that only the destruction of capitalism and the creation of socialism could open the road for Bolivian development. The clearest example of the miners' thought can be seen in their 1946 "Thesis of Pulacayo," reprinted in this issue.

The strength of the miners' organizations was decisive during the fighting of April 1952. It is clear that the miners were not the only force undermining the faltering reactionary governments of the late 1940's and early 1950's, but they alone turned the tide of battle on April 10, 1952, by seizing the railroad station above La Paz and encircling the important railhead at Oruro.

The victory of 1952 opened the way for three major advances for the miners: co-government (with the naming of three labor ministers including the miners' leader, Juan Lechin), *control obrero* (which gave workers a voice and veto power in the new national enterprises), and the nationalization of the Tin Baron's holdings. The FSTMB became one of the strongest segments of the newly formed *Central Obrera Boliviana* (COB), the national labor organization.

Mechanisms of Imperialist Control.

Nationalization of the mining concerns of Patino, Hochschild and Aramayo in 1952 soon made evident an important fact about imperialism and the export of minerals: without the control of refining processes, control over the mines can become almost meaningless. Bolivia in 1952 possessed no smelter for its own tin and therefore had to export tin concentrates. Obviously, this put the Bolivian producers at a distinct disadvantage in a market where prices are determined for refined tin without taking into consideration costs of production for any single producer country. As Sergio Almaraz commented,

The workers and technicians who operate the smelters—few in comparison with the miners (400 workers in Williams, Harvey process the work of more than 25,000 Bolivians and Nigerians) are freed from uncertainty given the limited possibilities for mortal

*Carlos Montenegro, one of the MNR's most lucid early ideologists, expressed the MNR's line in the following statement: "The fight (for self-determination) will not be won by destroying the capitalist, but by nationalizing the mines; in other words, by placing autonomous control of wealth in Bolivian hands."

accidents or market saturation. If prices fall, the production of (tin) concentrates will suffer; the refiners will continue to charge the same treatment charges.¹²

The United States, until recently, has blocked Bolivian attempts to break this strangle hold. In 1959, for example, the Soviet Union offered Bolivia \$10 million for the construction of a tin smelter in Bolivia. The United States countered with a \$10 million offer of its own for the re-equipment of the mines and for concentration plants—not refineries—and with a threat that Bolivia would receive no further aid if it accepted the Soviet offer.

U.S. economist William Stokes justified the North American position on economic grounds, remarking that "... a tin smelter does not make economic sense for them ... there should be proved ore reserves for 25 years of operations in order to justify a smelter, something that is lacking in Bolivia."¹³ The major smelters of Bolivian tin are located in England, Germany, Holland and Texas: none has long-term ore deposits; none is among the world's tin producers.

When the MNR nationalized the *Gran Minería*, it took over 17 mining properties with their respective ore processing and concentrating facilities. But the major smelter capable of handling Bolivian concentrates on a large scale was the Williams, Harvey smelter in England, obviously beyond the control of the MNR and the tin miners. Williams, Harvey is controlled by the Consolidated Tin Smelters, Ltd., of England which is a holding company of Patino NV (incorporated in the Netherlands in 1970 as a wholly owned subsidiary of the Patino Mining Corporation which was incorporated in Quebec in 1956). Thus, the one person who had the capability to refine Bolivian tin in 1952 was Antenor Patino, son of Simon, whose mines had just been nationalized.*

The agreement worked out between Patino and Bolivia—with the intense prodding of the United States—gave Patino the right to retain 5 to 10 percent of every pound of tin smelted from COMIBOL concentrates. Seven years after the nationalization, no final indemnification figure had been reached, and the Big Three had already collected about \$20 million from this informal system.¹⁴ For companies which had invested only \$1 million in the mines since 1928, this represented a windfall profit.

Indeed, most observers recognize that Bolivia over-paid the Tin Barons for their nationalized interests. Furthermore, the payments had a critical effect on COMIBOL, the agent for the Bolivian government in these payments, since it was being drained of capital at the same time that the exhausted tin veins began to give out.

The United States and the Refining of Bolivian Tin.

The United States has always been concerned with the smelting of Bolivian tin. Although it had once refined a limited quantity of Bolivian ore in the 1920's, it had no major interest in tin smelting until World War II. At that time, since Dutch and Belgian tin smelters were under German control and the British smelters under the threat of air attack, it contracted the Dutch firm of N.V. *Hollandsche Metallurgisch Industrie Billiton* to build a smelter in Texas

City, Texas, capable of smelting 90,000 tons of high-grade concentrates a year or a smaller amount of low-grade concentrates. Obviously, though, both the Dutch firm, then in conflict with Williams, Harvey, and the United States took advantage of the opportunity to attempt to break British domination of Bolivian tin smelting. In 1958 the Texas smelter passed over to a little known Chinese nationalist firm, Wah Chang.

Li Kuo-ch'in, a mining engineer from Hunan, China, established Wah Chang and oversaw its expansion into the Wah Chang Trading Corporation, the Wah Chang Corporation, Wah Chang Smelting and Refining Company of America and Li Tungsten. In the late 1960's Wah Chang was taken over by the huge Teledyne Corporation. Li also established a somewhat shady foundation, the Li Foundation, whose stated purpose is the "promotion of good will between the United States and the Republic of China (Taiwan)," and which awards students at the National Taiwan University fellowships for study in the United States.¹⁵

As in other firms, the legal advisor to Wah Chang holds a crucial position. In this case the lawyer, a vice-president of the firm, is Sumner Ford, partner in the large firm of Breed, Abbott and Morgan of New York. Mr. Ford also sits on the board of directors of the Li Foundation, Underwriters Trust Co., and the National Distillers and Chemical Corporation (with sizable interests in Bolivia), among others. Another important director of this little known metals firm is Warren Lee Pierson who, in turn, also served as director for such giants as ITT, Fruehauf Trailer Co., Squibb, TWA, the Molybdenum Corporation of America, Guaranty Savings and Loan, Great Western Financial Corporation, All American Cable and Radio, Inc., and the Vertientes-Camaguey Sugar Co.¹⁶

In 1962 Wah Chang sent a delegation to Bolivia to try to win away part of the tin smelting contract from Patino's Williams, Harvey. The U.S. company had already received a USAID grant which financed a research program on the technology of concentrating and smelting tin.¹⁷ Since 1958, when it purchased the Texas City smelter, it had used only Indonesian ores. But Indonesia changed its policy and required all ore exploited in the country also to be refined there. Therefore, it greatly needed a new source of tin concentrates.

There is considerable evidence to the effect that Wah Chang allied itself with the powerful W.R. Grace and Company in order to establish a foothold in Bolivian tin concentrates.¹⁸ A businessman connected to the metals industry affirmed that Grace was "financing" both Wah Chang and Teledyne's smelting operations. Grace also purchased a considerable amount of tin concentrates for Wah Chang's Texas City smelter from Bolivian mines.

Wah Chang finally received approximately 5,000 tons of tin concentrates per year (one-quarter of total production). Bolivian nationalist congressmen blocked its attempt for a larger contract on the grounds that the terms were unfavorable to Bolivia, representing no more than an exchange of British imperialism for that of the United States.

Wah Chang's smelting operations in Texas City gradually passed from the hands of Teledyne to two small firms, Frederick H. Lenway and Company, a mineral and metal trading company, and Southern California Chemicals. In 1970 these two firms, in turn, sold out to the Associated Metals and Minerals Corporation (AM&MC), a non-public

* Other smelters were designed to take a different grade ore than that coming from the Bolivian mines.

TABLE 1: The Refining of Bolivian Ores.

LOCATION	SMELTER OWNERSHIP	CAPACITY TONS/YR.	1970 OUTPUT ^a
Oruro, Bolivia	COMIBOL [Fundicion de Estano]	5,000	Neg'ble
Oruro, Bolivia	COMIBOL [Metabol]	Research only	Neg'ble
Vinto, Bolivia	National Smelting Enterprise [ENAF]	8,000	Neg'ble
Rio de Jan- eiro, Brazil	Cia. Estanifera do Brasil [CESBRA]	7,000	2,200
Diusberg- Wanheim, W. Germany	Berzelius Metalhutten Gesellschaft-G.m.b.h.	3,600	1,600
Arnhem, Netherlands	N.V. Hollandsche Metallurgische - Industrie Billiton	30,000	6,000
N. Ferriby, Yorkshire England	Capper Pass & Sons, Ltd. ^b	10,000	8,000
Kirkby, Lancashire England	Williams, Harvey & Co., Ltd. ^c	20,000- 25,000	17,000
Texas City, Texas, USA	Gulf Metallurgical and Chemical Corp.	10,000	6,000

^aEstimated, in tons.^bCapper Pass & Sons, Ltd. is controlled by Rio Tinto Zinc Corporation, Ltd.^cAfter considerable problems at its new location, Williams, Harvey & Co. has gone into liquidation, and Bolivia has been having considerable trouble finding a smelter for its ores. At present, it seems that a short-term arrangement between the Rio Tinto Zinc's Capper Pass smelter, COMIBOL, and the British government will be arranged. [See *Latin America*, VII, No. 44 (November 2, 1973), 350-51.]Source: U.S. Department of the Interior, Bureau of Mines. *Minerals Yearbook*, 1970. Vol. I: Metals, Minerals and Fuels (Washington, D.C.: U.S. Government Printing Office, 1970), 1105-1106.

corporation based in New York. AM&MC then established a subsidiary, Gulf Metallurgical and Chemical Corp., to run the Texas City smelter. Gulf Metallurgical recently signed a ten-year agreement which will guarantee them 6,000 tons of Bolivian tin concentrates for each of the first three years. It currently receives about 75 percent of its concentrates from Bolivia.¹⁹

The parent company, a member of the Lissauer Group, is a trading and purchasing company which buys raw materials or concentrates and then sells to foreign smelters. Their primary Latin American activity is in Bolivia, and they have important operations in Peru and Chile as well. (See Table 1).

Investment Codes and the Re-introduction of Direct Foreign Investment in Mining.

One of the important characteristics of U.S. imperialism in Bolivia is that it is based as much, if not more, on strategic and "geopolitical" considerations as on possible profits from direct foreign investment. Thus, for example, while total U.S. aid to Bolivia from the end of World War II to 1961 surpassed \$220 million, direct U.S. investment was only \$32 million.²⁰ Nevertheless, the interests of private U.S. capitalists who wanted to invest in Bolivia were by no means forgotten. U.S. policy-makers pressed the Bolivian government for the establishment of certain investment codes which would guarantee the free access of foreign private capital to all sectors of the economy. Such investment codes were finally passed in 1956 (implied in the monetary stabilization rulings), 1960, 1965 and 1972. While the 1956 measures opened the door to private capital investment for the first time since the revolution of 1952, the Investment Code of 1960 really set the tone for future investments in that country.

Among other things, the 1960 Investment Code assured that foreign investments would receive the same treatment as domestic investments, and that expropriations would only be used in "extreme" cases and would always receive full compensation in hard currency.²¹

The 1965 Investment Code, written under the dictatorship of General Rene Barrientos, insured foreign investors of one of their most desired areas for expansion: mining. The code abolished restrictive requirements that mining producers sell their product only to the *Banco Minero*; permitted mining companies to use foreign smelters in lieu of domestic ones if the latter did not offer similar or better terms; reduced royalty payments for the majority of tin exports by 30 percent; and, gave a wide variety of tax and duty exemptions to foreign mining companies.²²

Although, at present, the 20 largest mines are the property of COMIBOL (in which the United States exercises considerable sway because of its inordinately large loans—see Table 2), there are approximately 40 "medium-sized" and some 2,000 "small-sized" mines in private hands. A large number of these are owned by one U.S. and three Japanese firms: W.R. Grace and Company, Mitsubishi Metal Mining Co., Ltd.; Nitto Bolivia Mining Co., Ltd.; and, F. Kanematsu y Cia., Ltd. Grace, at least through 1973, played

TABLE 2: COMIBOL's Financial Obligations to USAID and the Interamerican Development Bank [IADB], 1966-1973. (In '000)

YEAR	PRINCIPAL		INTEREST	
	USAID	IADB	USAID	IADB
1966	2,000	1,290	920	300
1967	2,400	1,290	840	280
1968	2,780	1,290	750	230
1969	3,150	1,290	630	180
1970	3,520	1,290	500	140
1971	3,640	1,290	360	80
1972	3,380	650	220	30
1973	3,370	320	90	10

Source: Gregorio Iriarte, *Galerias de muerte: las minas bolivianas* (Montevideo: Tierra Nueva, 1972), 203.

a predominant role by its control of the *Empresa Minera Estalsa* and the International Mining Company. (See Table 3).

The United States has one final but crucial hold on the Bolivian mining economy: its stockpiles of tin. Because of drastic over-production of tin in the late 1920's and a consequent lowering of world prices, and because few nations produce tin, an arrangement of compulsory tin control went into effect in 1931 among the tin producers. The first international restriction plan was approved by the governments of the British Malay States, the Netherlands Indies, Bolivia and Nigeria. Since that time, the International Tin Council, composed of producers and consumers, has established (except in war years) a schedule of production divided among the producing nations. (See Table 4)

The United States, the largest consumer of tin metal in the world and, through the General Services Administration (GSA), one of the largest sellers of the metal, is not represented on the International Tin Council. The United States is therefore free from all contractual obligations in the tin market. It sells tin when the prices rise and buys when they are low, and generally wreaks havoc in the delicate tin market.

Currently, the GSA stockpiles some 74 products, all considered "strategic essentials" produced only in limited amounts or not at all in the United States. At present, the exact amount of tin stockpiled by the GSA is classified information. Nevertheless, in April 1973, the GSA was authorized to sell some 191,000 tons of "excess" tin: approximately six times the annual production of Bolivia, the second largest tin producer in the world.²³

The GSA acquired the majority of its tin stocks from Bolivia during World War II at the extremely low price of 42c per pound instead of \$3 to \$4 per pound, the going market price. It is estimated that only through the sale of tin at these low prices, Bolivia gave the United States between \$600 and \$900 million for its war effort, considerably more than the total of U.S. aid to Bolivia since the war. Nevertheless, Senator Lyndon Johnson, in 1951, accused the tin producers, especially the Bolivian producers, of seeking "one vast international gouge of the American taxpayer." And W. Stuart Symington, chairman of the Reconstruction Finance Corporation (then conducting negotiations with a Bolivian military Junta which soon collapsed and opened the way for the 1952 revolution), remarked in a Senate hearing on the stockpiling of tin and rubber:

I think the important point . . . is that these (producer) countries which have received so much from us in the physical protection we have, and are offering them through our mobilization program, nevertheless appear to think it is all right for—and I use the word of your committee—the American taxpayer to be "gouged" when he buys from those very countries the raw materials necessary to supply the guns, and tanks, and the planes to protect said countries from Soviet communism.²⁴

Unwilling to let the tin producing countries "gouge" them further, the GSA has been extremely effective in releasing its stockpiles onto the world market anytime the producers threaten to raise tin prices. In 1966, for example, the New York Straits tin price declined from \$1.79 a pound to \$1.54 a pound, a loss produced principally by the sale of over 16,000 tons of GSA-stockpiled tin on the world market.

TABLE 3: U.S. Investments in Bolivian Mining.

CO. IN BOLIVIA	U.S. PARENT CO.	COMMENT
Ambo, Ltd.	General Exploration Co.	
Bolivian Tin Corporation	NA	
Churquini Enterprises, Inc.	Metals Traders, Inc.	
Compania American Smelting Boliviana, Ltd.	American Smelting and Refining Co.	
C. Tennant Co.	C. Tennant Sons & Co. [Consolidated Gold Fields, Ltd.]	
Empresa Minera Chisum y Cia.	No parent company	
Empresa Minera Estalsa, S.A.	W.R. Grace & Co.	Reportedly divested in August, 1973.
Empresa Minera Porco	No parent company	
Grace y Cia. (Bolivia) S.A.	W.R. Grace & Co.	
International Metal Processing Corp.	Harvest Queen Co.	Nationalized
Inter-Mill Products Corp.	Engelhard Minerals and Chemicals, Corp.	Sale of zinc from the nationalized Mina Matilde
International Mining Co.	W.R. Grace & Co.	Reportedly divested in August, 1973
Lipez Mining Co.	Deering Millikan	
Sociedad Minera Comercial, Ltda.	Phillips Brothers Ore Corp. [Engelhard]	Nationalized [Mina Matilde]
South American Placers	South American Gold and Platinum, Co. [International Mining Corp.]	Major control of Bolivian gold fields
Trans-American Resources, Inc.	NA	
United States Steel	U.S. Steel	Nationalized [Mina Matilde]

Sources: U.S. Department of Commerce, Bureau of International Commerce. *American Firms, Subsidiaries and Affiliates -- Bolivia, Trade List, August 1968*; *Moody's, Industrials* [1973]; *Standard and Poor's, Corporation Records* [1973]; *Standard and Poor's, Register* [1973].

This loss cost Bolivia approximately \$20 million in unrealized revenues.²⁵

As prices rose in the international tin market in 1973, Pres. Nixon made the monumental decision to reduce U.S. stockpiles of tin from an estimated 232,000 tons to 40,500 tons. The reduction was to begin by the sale of 18,500 tons by the end of 1973, a sale large enough to disrupt totally the world market. As the English report, *Latin America*, stated: "In any shake-out of the market Bolivia is the first sufferer, as its production costs are so much higher than those of alluvial tin producers."²⁶ Although Nixon soon assured his friend, General Hugo Banzer, that he would take no steps to damage the Bolivian economy, it is clear that the threat of sales of the GSA stockpiles is a sufficiently large stick to wave at Bolivia in order to get results.

The Workers' Struggle Against Imperialism.

At the end of 1972, miners in the *Siglo XX* mine, the largest tin mine in the country, held union elections. The country had been suffering under the repressive Banzer government for more than a year, and the miners, in particular, had endured the attacks of reactionary governments for almost 16 years, except for the short-lived period of Torres' government. Yet the miners' militancy had not been crushed. Of the 2,533 votes cast at the election, the *Frente Revolucionario Anti-Imperialista* (FRA), the coalition of outlawed leftist parties and organizations, received 1,688.²⁷

A year later, the whole FSTMB elected its leadership. The miners chose Juan Lechin, Simon Reyes and Filemon Escobar to lead them in the hard year to come. Lechin is one of the miners' central figures and the head of the PRIN, a leftist split-off from the MNR; Reyes is a top leader in the Bolivian Communist Party, and Escobar, one of the important figures in the Revolutionary Labor Party (POR).²⁸ All three had been in exile in Chile before the fascist coup in that country, and it is feared that Escobar has either been arrested or killed by the Chilean military acting in cooperation with Bolivian police.

These are only two examples of the miners' response to the military dictatorship. The history of the Bolivian miners

is rich with examples of heroic struggles against powerful opponents. The Bolivian ruling class, with the consent of the United States, has exiled or killed their leaders, cut their wages, starved out their strikes and, when all else failed, massacred them as on the "Noche de San Juan" in 1967. Internally, too, the miners' unions have often suffered from a lack of leadership, the corruption of some union bureaucrats and the isolation from a strong unified party.

But, in the 70 years since they created the first mining union, the workers have remained constant to one struggle: the fight to win the wealth created by their daily labor.

—Steve Volk

Footnotes

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26. *Latin America* (London), Vol. VII, No. 24 (June 15, 1973), 185.
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28. *Los Tiempos* (Cochabamba, Bolivia), November 23, 1973.

TABLE 4: International Tin Council, 1970.*

I. Producing Countries			
COUNTRY	VOTES	COUNTRY	VOTES
Malaysia	441	Nigeria	50
Bolivia	182	Zaire	43
Thailand	132	Australia	33
Indonesia	119	TOTAL	1,000
II. Consuming Countries			
Japan	216	Belgium/Luxem.	29
England	141	Spain	28
W. Germany	115	Yugoslavia	16
France	90	Hungary	15
Italy	60	Denmark	11
U.S.S.R.	56	Bulgaria	10
Netherlands	46	Austria	10
Canada	41	S. Korea	7
India	40	All Other	20
Poland	37	TOTAL	1,000
Czechoslovakia	32		

* Votes reflect proportion of production or consumption

Source: *Tin News*, August 15, 1972, 1-2.

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Introduction: The Thesis of Pulacayo

The miners have long been in the vanguard of the revolutionary movement in Bolivia. Their national federation, the Federacion Sindical de Trabajadores Mineros de Bolivia (FSTMB), founded in 1944, served not only as a coordinating body for their struggle but also as a clearing house where strategies were debated and hammered out by union delegates before being taken back to the miners for their approval.

In early November of 1946, this body met in its First Extraordinary Congress at the mining center of Pulacayo. The FSTMB called the Congress in response to a reactionary coup d'etat which had toppled the bourgeois nationalist government of Major Gualberto Villarroel and the MNR. The new government presented an immediate threat to Bolivia's working class, and to the miners in particular, as it threatened to crush all workers' organizations.

Delegates from every major mining district attended the November 1946 Congress. On the last day of debate

Guillermo Lora, a young leader from the POR, presented this Thesis to the miners. Although the POR was not a large party, it carried an extraordinary influence among the workers at this time for a variety of reasons. In the first place, the MNR, usually the largest party in the mines in the mid-1940's, had been outlawed, its leaders exiled, and its ranks were in disarray. Furthermore, the Bolivian Communist Party (then called the PIR) had lost most of its support in the mines since its war-time popular front strategy led it to ally with the new reactionary government. Finally, the POR had spent years working with the major mining leaders and, by 1946, established itself as a major force in the mines.

The Thesis of Pulacayo represents the miners' response to the political situation of 1946. But, more importantly, it outlines the long-range strategies for the struggle towards socialism. Because of its significance not only for Bolivia, but also for all the Americas, and its timeliness, we have reproduced a slightly-edited version—the first to appear in English—below.

Guillermo Lora on the Thesis of Pulacayo

The following statements are excerpted from a NACLA interview with Guillermo Lora, leader of the Revolutionary Labor Party (POR) and author of the Thesis of Pulacayo, conducted in Santiago, Chile in November 1972.



"The Thesis of Pulacayo is very important because, aside from indicating a series of demands of the Bolivian labor movement itself, it presents a theoretical focus for the Bolivian revolutionary movement. In this sense, it is strictly a political document, not a program of a political party; it delineates the general outlines for a revolutionary strategy of the working class. . . .

"On the theoretical plane, the novelty of the Thesis lies in the fact that it indicates that in Bolivia, an extremely underdeveloped and backward country, the working class—a minority of no more than 10 percent of the population—nevertheless is the political axis of the country and is called upon to play the role of political leadership for the entire oppressed nation.

"This struggle logically should lead us not to a form of workers' government in the abstract, but concretely to the dictatorship of the proletariat that consequently will have to carry out truly democratic practices in order to transform itself into socialism. (But the Thesis also) considers the working class movement and miners in particular, in the state in which they existed at that time, and proposes a series of appropriate demands, not only for the moment in which the working class found itself, but also for the objective conditions of the country.

"At the time (1946), the large mining interests attempted to lock-out their workers, arguing that they could not meet raised demands and that, faced with a militant labor movement, private enterprise ran the risk of bankruptcy. The Thesis outlines concrete answers to this situation, proposing to the workers: when a mine closes, occupy it immediately.

"It was not possible at this time to talk about nationalizing the mines in the abstract; rather a concrete answer to the counter-revolutionary attitude of the large mining interests had to be formulated. Namely that the workers would occupy the mines as a first step to push the masses toward the seizure of power.

"The workers never have thought that they would be owners of the mines without first controlling the state. In this same sense, worker control would not only break the monopoly of the companies, but also would mobilize the working class for the seizure of the mines and the state.

(Concerning specific demands in the Thesis): "The demand for an 'escalator clause' in salary contracts is a revolutionary answer to financial manipulation—such as inflation—designed to neutralize salary increases. Thus, the Thesis proposes that salaries increase proportionally to the cost of living. The demand for a sliding scale of work-hours is the key to eliminating growing unemployment. It proposes that when the level of unemployment increases, the work-day should be shortened accordingly in order to give work to those laid-off, while each individual's salary would remain at the same level.

"These are some central demands, but it is worth underscoring the following: the Thesis takes an old Bolivian tradition—the arming of the working class—and turns it into a strategic principle. The Bolivian working class does not need petit-bourgeois intellectuals to show it how to arm

for struggle. In reality, as a class it has had a long tradition of armed struggle and a rich experience in combat with the army and police. . . The Thesis places the urgency of an armed working class in the forefront because, in reality, the proletariat finds itself in a head-on confrontation against reactionary forces and the state at the service of the dominant classes.

(Concerning dissemination of the original Thesis): "At first the Thesis was published only in a simple mimeographed edition to be distributed to all the unions in the country—over 100. The Thesis spread in the mining centers basically by radio and through public meetings. It was read and explained to the miners who were mostly illiterate. The POR held that the Thesis expressed in theoretical terms those instinctive tendencies present in the working masses. In other words, the Thesis expressed in a coherent and conscious manner the instinctive socialism of the miners.

"One cannot say that the Thesis is a utopian expression of how to change the country. In reality it is a Marxist answer to the concrete situation posed by the Bolivian economic and social structure. The Thesis is a program for proletarian revolution, and it cannot be simply judged from its concrete demands alone. One has to consider the demands and the long-run strategies that it proposes. These are rooted directly in the theory of "permanent revolution" as elaborated by Leon Trotsky and inspired by the program of the Fourth International."

The Thesis of Pulacayo*

I. Principles

1. The proletariat, even in Bolivia, constitutes the revolutionary class. The mine workers, the most advanced and combative sector of the national proletariat, hereby define the nature of the struggle of the FSTMB.

2. Bolivia is a backward capitalist country. Within the spectrum of the most diverse stages of economic evolution, capitalist exploitation predominates qualitatively while other socio-economic forms constitute the inheritance of our past. From this fact emanates the predominance of the proletariat in the national political structure.

3. Bolivia, despite its backwardness, is still a link in the international capitalist chain. National characteristics represent a combination of the fundamental traits of the world economy.

4. In Bolivia the political process has yet to produce a bourgeoisie capable of eliminating the *latifundio* and other pre-capitalist forms of production, or bringing about national unification and liberation from the imperialist yoke. Such unrealized bourgeois tasks are democratic-bourgeois objectives that must be carried out without delay. The central problems of semi-colonial countries are: agrarian revolution, i.e. the elimination of the feudal heritage; and national independence, i.e. casting off the imperialist yoke. These tasks are closely linked. . . .

6. The development of backward countries takes on a dual characteristic: it embraces at the same time the most primitive economic forms as well as the latest technology of capitalist civilization. The proletariat of the underdeveloped countries is forced to combine the struggle for bourgeois-democratic tasks with the fight for socialism.

7. Given the primitive technological level, the development of the *latifundio* would be inconceivable if it were not for imperialism which maintains it artificially by feeding it crumbs. Were it not for the national feudal-bourgeoisie, imperialist domination would be inconceivable. In Bolivia, the existing capitalist sector is highly concentrated; three enterprises control mining production, the economic basis of national life.

The ruling class is incapable of fulfilling its own historical objectives, and finds itself tied to feudal as well as to imperialist interests. The ruling class uses the state as a powerful instrument to crush its adversaries. The petit-bourgeoisie, or middle class, is the largest class, yet its impact on the national economy is insignificant. Until now it has been unable to develop the politics of an independent class, and will be less able to do so in the future. One of the characteristics of the proletariat is that it has enough strength to achieve not only its own objectives, but also those of other classes. Specifically, the role it plays in the production process and not its numbers determines its enormous political weight. The proletariat—the economic base of national life—will also become the motor force of the future revolution. The Bolivian proletariat, because of its youthful ranks and incomparable vigor, . . . because it

*Complete text in Guillermo Lora, ed., *Documentos políticos de Bolivia* (La Paz: Editorial "Los Amigos del Libro," 1970), 361-390.

lacks a tradition of electoral politics and class collaboration, and finally because it has had to act in a country where the class struggle unfolds amidst extreme violence, has become one of the most radicalized proletariats.

II. The Type of Revolution That Must Be Carried Out

2. Those who call us advocates of an immediate proletarian revolution deceive, for we know only too well that the objective conditions for such a task are not present. Thus, we stress that the revolution, because of its objectives, will be bourgeois-democratic. It will, however, only be a stage in the socialist revolution because the proletariat will lead it. Proletarian revolution does not mean the exclusion of other exploited sectors, rather it means a revolutionary alliance of the proletariat with peasants, artisans, and some sectors of the urban petit-bourgeoisie.

3. The dictatorship of the proletariat is the consummation of this alliance at the level of state power. The slogans of revolution and dictatorship of the proletariat make it clear that the working class will provide the leadership in these transformations and in the new state. To hold that the bourgeois-democratic revolution will be carried out by "progressive" sectors of the bourgeoisie and that the future state will be a government of national unity and harmony is, on the other hand, tantamount to saying that the revolutionary movement will be strangled within the margins of a bourgeois-democracy. The workers, once in power, cannot confine themselves indefinitely within the limits of bourgeois-democracy and will each day undermine ever deeper the concept and dominance of private property, and thus the revolution will acquire a permanent nature.

III. The Struggle Against Classist Collaboration

1. The class struggle is the struggle for the appropriation of surplus value. The proletariat which sells its labor is struggling to do so under better conditions. The owners of the means of production (the capitalists), are struggling to continue to steal the product of unpaid work. These conflicting objectives result in an irreconcilable confrontation. The present historical stage, one of human shame, can be overcome only when social classes are abolished, when exploiters and exploited cease to exist. Our objective is the expropriation of the expropriators.

2. Class collaboration would mean renouncing our objectives. Every conquest by the workers, no matter how small, only comes as a result of bloody struggles against the capitalist system. We cannot think of reaching an understanding with those who subjugate us because we must subordinate transitory gains to the broader program of proletarian revolution.

3. We reject the bourgeois-democratic illusion of letting the state or other institutions solve the workers problems. The history of national and international movements has shown that such a solution has always been in the interests of the capitalists and that the proletariat has consistently paid for it through increased hunger and oppression.

Conflicts must be resolved under the leadership of the workers and by the workers.

4. The realization of our program of short-term gains which should lead us to the proletarian revolution is always subordinate to class struggle. Because of this, a central task is to fight and destroy the reformists who advocate class collaboration and those who advise us to tighten our belts for the sake of so-called "national salvation." When the workers are hungry and oppressed, we cannot speak of national greatness.

War until death against capitalism!

War until death against reformism!

Advance on the road of class struggle toward the destruction of capitalist society!

IV. The Struggle Against Imperialism

1. For the miners, class struggle means, above all, the struggle against the large mining interests; that is, the sector of Yanqui imperialism that oppresses us. The liberation of the exploited is dependent upon the struggle against imperialism. Because we fight against international capitalism, we represent the interests of the whole of society, and we have common objectives with the exploited of the world. The destruction of imperialism must come before the modernization of agriculture, and the creation of light and heavy industry. We, the miners, are members of the international proletariat because our efforts are directed towards the destruction of an international force: imperialism.

2. One cannot speak of democracy when 60 families control the United States, and when those 60 families suck the blood of semi-colonial countries like ours. We declare ourselves in solidarity with the North American proletariat and irreconcilable enemies of its bourgeoisie which lives from the plunder and oppression of the world.

3. Imperialist policies which define Bolivian reality are determined by the present monopolistic stage of capitalism. The "Good Neighbor" policy; "Panamericanism," etc., etc., are nothing but disguises the Yanqui imperialists and local feudal-bourgeoisie use in order to deceive the Latin American people. The creation of international banking institutions with money from the oppressed countries, the concession of strategic military bases to the Yanquis, the one-sided contracts for the sale of natural resources, etc., etc., are various forms of the shameless surrender of Latin America by its rulers. To fight such surrender is the fundamental duty of the proletariat. The Yanquis are not satisfied with merely dictating nominations for cabinet posts: they go further, taking into their own hands the task of directing police activities in the semi-colonial countries against anti-imperialist forces.

Workers of Bolivia: Bolster your ranks in order to fight against greedy Yanqui imperialism!

V. and VI. The Struggle Against Fascism and The FSTMB And the Present Situation

(The first section discusses the need to fight fascism, a necessary outgrowth of capitalism; the second section, directed to the situation then existent in Bolivia, reiterates the need for class struggle and opposes worker participation in bourgeois governments. Both are summed up under the following slogans.—eds.)

Workers and those that are exploited: Let us destroy capitalism in order to decisively destroy the threat of fascism! Only with the methods of the proletarian revolution and within the framework of class struggle can we destroy fascism.

The FSTMB will never take part in bourgeois regimes since this would mean open betrayal of the exploited and a disregard of the fact that our revolutionary line is that of class struggle.

VII. Short-Term Demands

Each union, each mining region, has its particular problems, and the union membership must adjust its daily

struggle to these. But there are problems that, in themselves, affect and unify the workers of the whole country: increasing misery and the bosses lock-out. Against these current dangers, the FSTMB proposes radical measures.

1. Minimum wage and an "escalator clause" in pay scales.

2. Forty hour work-week and sliding scale of work-hours.

3. Mine take-overs to meet lock-outs.

4. Collective bargaining agreements.

5. Union autonomy. The realization of our goals will be impossible unless we liberate ourselves from all sectors of the bourgeoisie. . . . Once unions become dependent on the government, they lose their freedom of action and lead the masses down the road to defeat.

6. Worker control in the mines. The FSTMB backs every measure that the unions take to obtain effective worker control over the running of the mines. Since this is our objective, we have to make it our business to learn all aspects of how the companies function. The workers must grasp the technology governing the extraction process, gain access to the companies' accounting systems, participate in the naming of high level employees, and above all they must disclose the bosses' profit-rates as well as their fraudulent procedures when it comes to paying taxes and making their lawful contributions to Social Security. We oppose reformist talk about the bosses' "untouchable rights" with the slogan of worker control in the mines.

7. Arms for the workers. We have said that while capitalism exists, violent repression of the workers' movement is always a danger. If we want to avoid a repetition of the Catavi Massacre,* we have to arm the workers. In order to repel goon-squads and strike-breakers, we must form well-armed worker cadres. Where do we get arms? The fundamental point is to teach the workers that they must arm themselves to the teeth against the well-armed bourgeoisie; the means will be found, or have we forgotten that every day we work with powerful explosives? Against future massacres, Armed Worker Cadres!

8. Creation of a strike fund.

9. Outlawing of the company store.

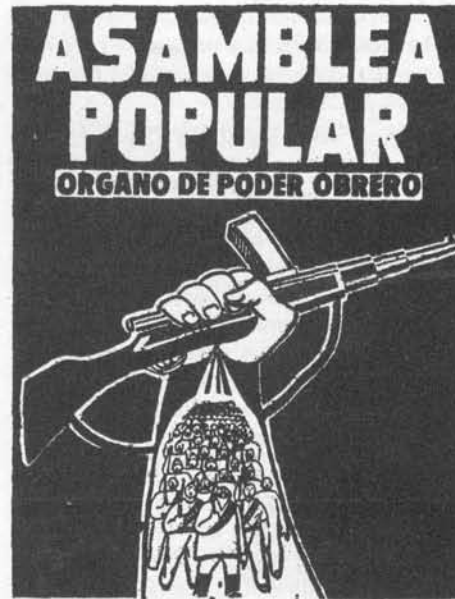
10. Elimination of individual piece-work contracts.

VIII. Direct Mass Action and Electoral Struggle

We reiterate the preeminence of direct mass action among the various methods of proletarian struggle. We know very well that our liberation will be the fruit of our own work, and that to achieve it we cannot wait for cooperation with forces outside our own. This is why in this stage of the workers' movement our chosen method of struggle is direct mass action; more explicitly, strikes and mine take-overs.

As far as possible we must avoid striking for insignificant reasons that only serve to weaken our forces. Let us overcome the phase of local strikes. Isolated strikes allow the bourgeoisie to focus their attention and their forces on one point. Every strike must be called with the intention of its becoming a general strike. Furthermore, a miners' strike must extend itself to other sectors of the proletariat and the middle class. Strikes coupled with mine take-overs are the order of the day.

* A 1943 army massacre of hundreds of miners and their families in the large mining camp of Catavi.



From the first, the strikers must control a mine's key points, above all, the storage bins of explosives. We declare that by stressing direct mass action, we overcome the need to devise other methods of struggle.

Revolutionaries must always act whenever a social system pits classes in a situation of struggle.

Electoral politics are important, but in the ascending stages of a revolutionary movement they play a secondary role. In order to become important, electoral work must be subordinate to direct mass action. In times of retreat when the masses abandon the struggle and the bourgeoisie takes the offensive, electoral politics can become primary.

Bourgeois parliaments do not resolve the fundamental contradiction of our times—the fact of private property—for only the workers in the street will decide it. Therefore, we do not discard electoral politics, we merely subordinate them to certain prior conditions. We must elect to Congress proven revolutionary elements that identify with the position of our union. Congress must be turned into a revolutionary tribunal. We know that our representatives will be a minority, but we also know that they will expose the maneuvers of the bourgeoisie. Above all, congressional struggles must be directly linked to direct mass action. Worker deputies and miners must act under only one authority—the principles that are laid out in this Thesis.

IX. We Oppose the Bourgeois Slogan of "National Unity" With the Common Proletarian Front

1. We are soldiers in the class struggle. We have said that the war against the exploiters is a war until death. For this reason we will destroy every attempt at co-optation within the ranks of the workers. "National Unity" means unity of the bourgeoisie with their servants in order to better handcuff workers. "National Unity" means defeat of the exploited. We cannot speak of "National Unity" when the nation is divided into social classes and while private property continues to exist.

2. We oppose the bourgeois slogan of "National Unity" by the formation of the *Frente Unico Proletario* (Common Proletarian Front). This forging of a solid bloc

of exploited and revolutionary elements is necessary in order to defeat capitalism, itself united in one bloc.

X. A Federation of All Workers

The struggle of the proletariat needs unified leadership. Thus, we must forge a powerful Workers' Federation. We must avoid the stratagems of union bureaucrats and artisan sectors that have been corrupted by the bourgeoisie. A Workers' Federation for all Bolivian workers must be organized on a truly democratic basis. We are not going to allow an organization of one-hundred artisans weigh equally in a vote as the FSTMB, which has some 70,000 members. Each federations' influence must be determined by its numbers. Proletarian, and not petit-bourgeois thinking must prevail in the Workers' Federation. Furthermore, it is our task to present the Federation with a truly revolutionary program inspired by what is expressed in this document.

XI. Pacts And Compromises

We will not become party to any compromises or pacts with the bourgeoisie. Only with the petit-bourgeoisie as a class, and not with their political parties, can we forge blocs and sign compromises. The Common Proletarian Front and the Workers' Federation are examples of such blocs. But we must always make sure that the proletariat leads each bloc.

The declarations contained in this document must be used as a frame of reference for all pacts. The fulfillment of a pact depends on us, the miners, as only we can initiate an attack on the bourgeoisie. We cannot expect the petit-bourgeoisie to take such a step. The proletariat will lead

the revolution. Revolutionary collaboration between miners and peasants is a central task of the FSTMB, and such collaboration is the key to future revolution. The workers should be in charge of organizing peasant unions, and of working jointly with the Indian communities. For this, it is necessary that the miners support the struggle of the peasants against the *latifundio* and thus enhance their revolutionary activity.

Pulacayo, Bolivia. November 8, 1946.

*Translated by Ignacio Warnes
Hoby Spalding, Jr. and Steve Volk, eds.*

BOLIVIAN PEASANTS AND MINERS SHAKE BANZER REGIME

As this issue goes to press, Bolivian peasants and miners continue to defy the Banzer regime, bringing the military dictator one step closer to his inevitable fall. The present crisis was touched off at the end of January when the government doubled prices of all basic foods. The increase supposedly was designed to curtail smuggling of Bolivian products to neighboring countries. Yet it is unlikely to have this effect since many of the country's biggest smugglers are Banzer's own cabinet officials.

The crisis also intensified the divisions within the armed forces, and new sources speculated that they would soon split totally. The *New York Times* reported that the home of General Eladio Sanchez, ousted from his command in January, has been searched numerous times by troops loyal to Banzer.

Peasants resisted the price increased by blocking the major highways of the Cochabamba Valley, and some 4,000 tin miners walked out in a wildcat strike. Bolivian troops have reportedly slain more than 100 peasants. Banzer labeled the peasant leaders "left-wing extremists," but they were the same leaders who supported his rise to power two and one-half years ago. He also urged peasants to "kill the first Communist agitator who goes into the farms." The peasantry has not been notably revolutionary since the agrarian reform laws of the early 1950's, but statements such as this will undoubtedly help to raise their level of consciousness.

It seems unlikely that Banzer will survive this current challenge. But neither is it likely that the present crisis will bring the workers to power. What is clear is that the popular resistance to the oppressive government will not end until that government falls.



Bolivia: Brazil's Geopolitical Prisoner

Mutun, located in Southeastern Bolivia, is a stone's throw from Brazil. Its mines contain the largest deposits of iron and manganese—an estimated 40,000 million tons—in Latin America, and the third largest in the world. Yet the deposits are Bolivian only because they fall within its borders. The nation which controls Mutun, though, can have a decisive effect on all countries which need its products.

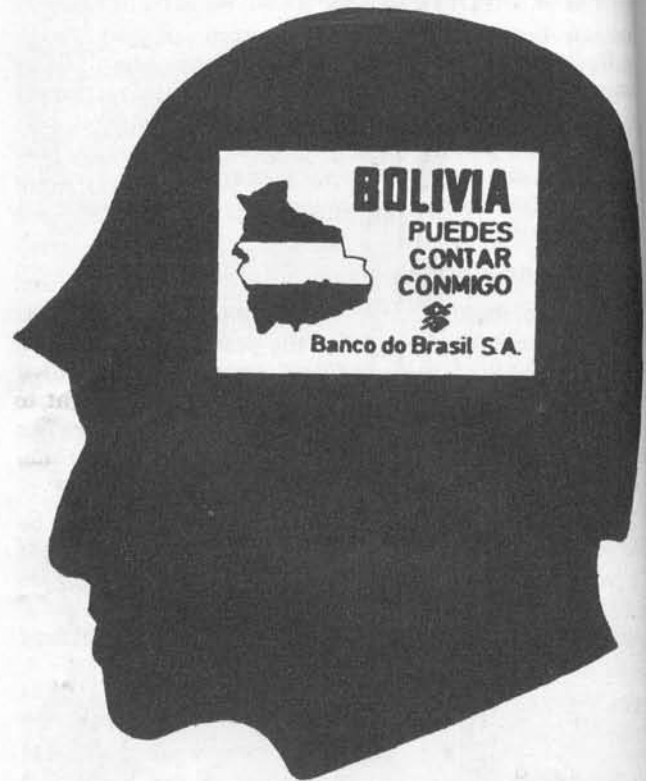
On August 5, 1971, a small delegation of Brazilian businessmen arrived in Bolivia to negotiate trade agreements with the popular government of General Juan J. Torres. They also hoped to win sweeping concessions over exploitation and development of the Mutun mines. Five days after President Torres refused to grant such concessions, he was overthrown by right-wing military units carrying Brazilian machine guns and flying Brazilian bombers painted with the Bolivian flag. Before the battle for control was settled, Brazil had recognized the reactionary leader of the coup, Col. Hugo Banzer, as head of a new military government. And it wasted no time pumping money, credit and more arms into Bolivia.¹

Brazil and the Southern Cone.

Mutun is only one of a number of reasons why Brazil moved in mid-1971 to consolidate its power in Bolivia; but it is an important one. The enormous deposits of Mutun are a natural source on which to build a complete iron-steel industry. Nevertheless, Brazil does not actually need the iron of Mutun. In fact, Brazil already possesses 12 percent of the world's known reserves of iron ore. The Mutun deposits in Bolivia stretch over to the fabulously rich mines or Urutun in the Brazilian state of Mato Grosso. Aside from this, Brazil owns virtually inexhaustible iron ore deposits in the "iron quadrangle" of Minas Gerais.² Finally, there are the tremendous deposits in the Amazon's *Serra dos Carajas* where U.S. Steel and a Brazilian government company are planning to invest up to \$600 million to develop its iron mines.³

In reality, Brazil's interest in Mutun stems from its concern for *Argentina*, not the iron ore. The reasoning behind this is fairly clear. Historically, Brazil has searched for dominance in the South American sub-continent. Its principal rival in this quest has been Argentina. Brazil, then, is continually on the look-out for methods to dominate Argentina both economically and politically. Mutun is one method.

Unlike Brazil, Argentina does not produce enough iron ore for its own needs. In fact, it must import much of its requirements from Brazil. So great is Argentina's need for Brazilian metals that it now spends approximately 40 percent of its total Brazilian purchases on mineral and industrial imports. Argentine control of Mutun would therefore lessen its dependence on Brazil. And Mutun is particularly attractive to Argentina since it is located only 30 kilometers from Puerto Suarez, an inland Bolivian port



on the Paraguay River which flows past the Argentine steel complex of San Nicolas.⁴ So Brazil seeks control of the Bolivian mines not so much for their iron deposits as to prevent Argentina from gaining access to them.

But Brazil's interest in Bolivia in 1971 went further than Mutun. As Bolivia's Foreign Minister Mario Gutierrez sees it, "... Bolivia is the geopolitical center of South America and our country is summoned, by its position, to be the knot of (South) American integration."⁵ Brazil's search for hegemony in the sub-continent, therefore, would logically begin with Bolivia.

In the first place, Bolivia could provide Brazil with access to Pacific coast countries. Brazilian strategists always stress that U.S. development in many respects was determined by its possession of both Atlantic and Pacific ports. Secondly, Bolivia borders on both Peru and Chile. In 1971 both countries had popular and nationalistic governments and were therefore viewed by Brazil as national security threats. Finally, Brazil's economic "miracle" needed new markets for its manufactured goods and new commercial frontiers to maintain its high rate of industrial expansion.

The Andean Common Market, which developed rapidly in 1971, threatened to isolate Brazil from such markets. Although Brazilian investment analysts were outwardly pleased with the Andean pact, claiming that it would bring them mining capital which would normally have gone to Chile and Peru, it is clear that Brazil was feeling the pinch

for markets. That same year, the Nixon administration announced a cutback on imports of Brazilian manufactured goods as well as the imposition of new tariff barriers due to the crisis in the U.S. balance of payments.

Clearly unsatisfied with the course of events in 1971, Brazil was determined to change them. By helping to topple the government of Torres in Bolivia, it thus made an important move in its complex game of geopolitics.

Geopolitics and Ideological Borders.

Geopolitics is a science of imperialism: the mapping out of a strategy for dominance and control. Although the word has many roots in the old German theories of *realpolitik* (much admired by Henry Kissinger), the Nazis adapted it to give a theoretical veneer to their plans for expansion. Since then, it has been picked up by the U.S. Pentagon and, more recently, the Brazilian Advanced War College (*Escola Superior de Guerra*).

Marshal Cordeiro de Farias, founder of the ESG, explained the origins of the school: "War with the Axis revealed the necessity for the United States to prepare for a warlike mentality not only in the Pentagon but also in the allied powers. The people and the elites of these countries ought to be prepared for the formation of what is known as the Military-Industrial Complex." Brazil's leading theoretician of geopolitics, connected to the ESG and presently serving as president of Dow Chemical Company of Brazil, is Golbery Couto e Silva. He sees the "inevitability of war" as the guiding principle of the War College. "There is no way," he writes, "to avoid the necessity of sacrificing well-being for national security when the security of a nation is threatened. A people who refuses to accept this will learn a well-deserved lesson in the dust of defeat. . . . War is inevitable. It is our duty, therefore, to prepare for it with determination, foresight and faith."

According to ESG experts, Bolivia is a geopolitical "prisoner" because it is presently landlocked. On the other hand, the Brazilian military considers Bolivia the geographical key to control of the Southern Cone since it borders on Argentina, Paraguay, Chile and Peru. Through Bolivia access is also gained to the Amazon River from the south and to the Rio de la Plata from the north. And, of course, there is Mutun as well as enormous gas deposits which lie parallel to Brazil's largest industrial zone, Sao Paulo.

Bolivia's geographical position and its "internal friction," according to Golbery, constitute a continual threat to Brazilian national security. He concludes: "Like it or not, Bolivia will have to subordinate itself to the interests of Brazil or Argentina." The choice, though, will not be left to Bolivia. A document of the ESG maintains that the Brazilian military could "use its armed might in any Latin American country," but two strategic zones are particularly subject to such an intervention: the border with Uruguay, and the border with Bolivia, especially the Corumba-Caceres region (where the Mutun deposits are located).

Related to the doctrine of geopolitics is the notion of "ideological borders." In 1965 the president of Brazil, Marshal Castello Branco, declared that the current Brazilian conception of National Security was not restricted to patrolling the physical borders of the nation, but extended to the ideological borders of the Western world as well. This policy was put into practice in that year when Brazil sent troops to support the U.S. invasion of Santo

Domingo. A Brazilian general nominally directed the operations. The following year Brazilian troops carried out joint "exercises" on the Bolivian and Uruguayan borders, bringing up charges of intent to invade if the political situation in either country turned ideologically unfavorable to Brazil.

At the 1966 OAS meeting of foreign ministers, Brazil was the only Latin American country to support the creation of a standing "Permanent Peace Force" to be used against "Communist threats" in the hemisphere. But, while Brazil was isolated in its belief in geopolitics and ideological borders in the mid-1960's, there is no reason to believe that it ever abandoned these notions. The Brazilian participation in the Bolivian coup of 1971 is proof of this.

The Plot Unfolds.

In January 1971, General Hugo Bethelen, former Brazilian ambassador to Bolivia, was arrested in La Paz for financing a plot against the Torres government. It was proven that some \$60,000 had already been turned over to the conspirators, led by Banzer, and General Edmundo Balencia, and Bethelen was convicted.

Five months later, the Brazilian weekly news magazine, *Visao*, published excerpts from a conversation with Bethelen in which he proposed that protectorates be set up over countries like Bolivia which maintained relations with countries outside the hemisphere which might pose a security threat.⁶ The Bolivian Minister of Foreign Relations called the statement "provocative and imperialist." Despite efforts of the Brazilian government to cover up for Bethelen, the general met the press a few days later and affirmed, "I am in favor of a form of intervention which the Brazilian imagination, creative in developing new forms of co-existence among men, can discover in the realm of international relations, principally among Latin American nations which I consider one family."⁷

Then, on August 15, the Brazilian delegation arrived, anxious to lay claim to Mutun. Not only did Torres turn them down, but he announced two days later a \$200 million credit from the Soviet Union for the construction of a metallurgical processing plant in the Mutun region.

From then on, events began to move swiftly. On August 17, the Brazilian-Bolivian Chamber of Integration of Private Companies (CIBRABOL) was formed in Sao Paulo with an initial capital of \$20 million to operate companies located in Bolivia. Its first president: Hugo Bethelen. That same day two planes from the Brazilian Air Force (FAB) unloaded a cargo of arms in Santa Cruz consisting of "INA"-stamped machine guns which were manufactured in Brazil for the exclusive use of the FAB.

Another FAB plane unloaded additional cargoes of arms and munitions in Santa Cruz the following day. A written denunciation of Brazil was sent to Bolivian Interior Minister Jorge Gallardo, but by then it was already too late.

As the Bolivian Rangers (Special Forces) unit under the command of Col. Andres Selich occupied Santa Cruz on August 20, Brazil ordered troop mobilization on the Bolivian border and prepared a squadron of bombers with freshly-painted Bolivian insignias. Armed civilians surrounded the university building in Cochabamba early that same day. Their machine guns bore the characteristic "INA" markings of the Brazilian Air Force.

Meanwhile, a bomb went off in the mayor's office in Santa Cruz where the coup's high command directed operations. Mysteriously, the Brazilian consul, Mario Amorin, was injured in the explosion.

Jornada, a La Paz daily, carried strong denunciations of Brazilian backing for the coup, and pointed to the training—in Brazil and Paraguay—of military and paramilitary mercenary forces.⁸ In Argentina, a right-wing leader announced on the morning of August 21 that some 8,000 men trained in Argentina, Paraguay and Brazil were fighting to overthrow the Torres government.⁹ On August 22, the Brazilian government, modeling itself on US government actions of earlier years, raced to recognize the new regime.

The Post Coup Story.

In his first public press statement, the new Bolivian president, Col. Hugo Banzer, explained that Bolivia had an "interest in Brazilian investments," and that he was "aware that Bolivia offered various investment opportunities." And, as time has shown, Brazil had an interest in those investments as well. Loans, long and short term credits, arms transfers and technology transfers increased immediately after the coup, and within a year Brazil had wedged Argentina out of the Bolivian picture. Bolivia, on the other hand, had begun to make aggressive moves against Chile, thus establishing its position as a Brazilian satellite.

The post-coup story is one of a consolidation of Brazilian hegemony, what has been termed the sub-imperialist strategy for Latin America.¹⁰ One week after the coup, the Bolivian Agricultural Bank received \$5 million from the Brazilian Investexport for loans to large landholders in the Santa Cruz area, the heart of the reactionary zone. The loans were earmarked for the purchase from Brazil of heavy machinery. An identical amount from the Banco do Brasil went directly to the Bolivian government along with thousands of match boxes carrying the slogan: "Bolivia can count on us."



On September 25, \$10 million in credits was awarded Bolivia for the importation of heavy machinery and equipment for building a rail line between Corumba (Brazil) and Santa Cruz (Bolivia), as well as for highway construction in the same region. This was the first of many agreements set up to facilitate commercial exchange between Brazil and Bolivia. From Bolivia, the exchange entailed a continual flow of petroleum products, especially gasoline, diesel oil, kerosene, fuel oil, natural gas, ammonium nitrates and rubber derivatives. From Brazil, Bolivia received heavy machinery, manufactured goods and technical assistance.

One by one agreements and concessions previously in the hands of Argentina were transferred to Brazil. Two hundred kilometers of railway tram lines to be built by Argentina will now be constructed by Brazil. ALFONSECA, a large Brazilian construction firm, arranged to build 900 kilometers of asphalt highway in October 1971, offering \$3 million in order to link the interior of Bolivia with the Brazilian state of Mato Grosso. Brazil has also replaced Argentina as a source of imports and a market for exports. And, in terms of aid, Brazil provides the Andean nation with \$46 million a year, a sum second only to that provided by the United States.¹¹ The political price of Bolivian dependence on Brazil has been high. Ultimately, it has forced the breakdown of Banzer's MNR-FSB ruling coalition since the MNR has traditionally been pro-Argentina and the FSB, pro-Brazil. (See "Bolivia: The War Goes On" in this issue).

The pattern of Brazilian intervention in Bolivia—from arms and advice to machinery and credits—has been and is being repeated today in Chile.¹² Chile, too, was an integral part of the Brazilian geopolitical framework, since Brazil has always sought an alliance with Chile in order to surround its traditional rival, Argentina.¹³ The Brazilian government (along with that of its client state, Uruguay), the first to recognize the Chilean junta, immediately flew in military personnel to facilitate the "round-up" of Brazilian exiles and refugees, and awarded huge sums of money in loans and credits to keep the Chilean military junta afloat. And Brazilian money, influence and arms are concentrating around the borders of Peru and Argentina should a threat to national security be deemed sufficient to carry on the game of geopolitics.

—Ruth Needleman

FOOTNOTES

1. Ramiro Sanchez. *Brasil en Bolivia: lecciones de un golpe militar* (Santiago de Chile: Ediciones Letras, 1972), 33. Much of the information in this article is taken from this pamphlet written with the help of the Frente Brasileiro de Informaciones in Santiago.
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12. For documentation of Brazil's participation in the Chilean coup, see Marlise Simon, "The Brazilian Connection," *The Washington Post* (January 6, 1974).
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Alliance for Power: U.S. Aid to Bolivia Under Banzer

"Message from Nixon to Banzer: 'We Want To Do Everything Possible To Help You.'"

—Headline of *El Diario* (La Paz),
June 14, 1972.

In June 1972 John Connally, President Nixon's personal emissary to Latin America, relayed the administration's "warmest wishes" to Bolivian President Hugo Banzer Suarez, praising the dictator's "great courage" and promising him full cooperation and aid in the future. Connally's trip to La Paz confirmed a basic U.S. policy orientation toward Bolivia which was adopted after the right-wing military seized power in August 1971. Since that time the United States has propped up Banzer with extensive military and economic aid in amounts far surpassing those logically dictated by the country's size, resources and population. But Bolivia's strategic location in the heart of South America made it a top U.S. priority, particularly in the 1970's.

As that decade began, progressive forces in Latin America forced U.S. imperialism into a corner. Not only was Cuba flourishing, but Bolivia, Peru and Chile definitely advanced to the left, Panama and Ecuador were swaying, and even Argentina and Uruguay were unsteady allies. Furthermore, the Andean Pact nations had just drafted some important limitations to foreign investments into their basic charter. Thus, the United States saw the strategic need of a foothold in the South American continent, especially to the west of the Andes, providing economic, political and military access to these nations.

Bolivia's relations with the United States since the 1952 revolution (see "Bolivia: The War Goes On" in this issue), and its relationship to Brazil (See "Bolivia: Brazil's Geopolitical Prisoner" in this issue) made it the logical choice. The high level of military and economic aid which the United States has pumped into Bolivia since the 1971 coup only confirms this choice.

Military Aid: The Coup and After.

North American businessmen and government officials had grown particularly critical of the course of events in Bolivia since the death of General Rene Barrientos, a close friend of Lyndon Johnson. The military leaders who followed Barrientos to office saw nationalistic policies as a means of rallying support behind the military institution. General Ovando, for example, nationalized Gulf Oil. But the realignment of the governing coalition under General Juan Jose Torres and the creation of the Popular Assembly seriously threatened U.S. interests. During his short term in office, Torres nationalized both the Matilde Mines (owned by U.S. Steel, Phillips Brothers Ore Corporation, and Englehard Minerals and Chemicals Corporation) and the

properties of the Dallas-based International Metals Processing Company. But, unlike Ovando, his government increasingly favored labor organizations, and allowed the left more freedom than it had enjoyed since 1964. If the United States could put up with Ovando's brand of nationalism, it clearly could not accept Torres' since, objectively, this implied an opening towards socialism. With this in mind, the United States and its allies acted.

U.S. participation in the coup which toppled Torres is unquestionable. The U.S. Embassy knew of the preparations for the coup quite early and warned its staff to stock up on food supplies two days prior to the take-over. Secondly, U.S.-trained Rangers maintained a high level of activity in La Paz throughout the pre-coup period. Third, Banzer's contacts with the U.S. military—which dated back to his training days at Fort Bragg, North Carolina—clearly served him well. His close association with U.S. Air Force Major Robert J. Lundin proved particularly useful when the *golpistas'* internal communications had broken down. Lundin quickly lent them a U.S. Air Force radio receiver. Broadcasts over this radio helped disorganize and demoralize the supporters of General Torres while strengthening the confidence and coordination of the Banzer forces.¹

U.S. policy adopted immediately after the military uprising bears further witness to North American backing for Banzer. The keystone of this policy was military support for a president who clearly lacked popular support and could not defend himself from a "hostile" population. During Senate hearings before the Appropriations Committee, Senator Proxmire noted that "the biggest beneficiary (of military aid) in South America is Bolivia." Bolivia's military appropriation skyrocketed from \$1.7 million in 1971 to \$3.3 million in 1972. The following year, the Pentagon's spokesman to the committee, General Seignious, requested \$4.8 million. "Recently," he noted, "when the President of Bolivia requested assistance from the U.S. Government to . . . ward off an insurgency threat, it was determined that we could, in effect, at relatively nominal cost, help her improve her mobility and communications capability to ward off this insurgency."²

U.S. military support of Banzer's shaky domain is so blatant, in fact, that even the Pentagon's masters of double-talk cannot hide its true purpose. During the same Senate hearings, Proxmire read a letter from General Seignious to Senator Ellender into the record. The letter, dated April 14, 1972, stated: "The general rationale for these (military aid) programs is that although militarily the threat of external attack from outside the hemisphere or Cuba has diminished, the violent extremism remains a disruptive force to economic and social progress with active



movements existing in Bolivia, Guatemala, and Uruguay and potential insurgencies in several other countries."

Proxmire then questioned the witness, Secretary of Defense Melvin Laird, "Does that mean that the United States is supporting incumbent regimes in Latin America against purely domestic attack, or even the mere threat of domestic insurgency? Have we used military assistance in such a way that we are deciding who should rule Latin American countries?"

"Secretary LAIRD: No, it does not.

"Senator PROXMIRE: Why, then, are we providing this kind of assistance?

"Secretary LAIRD: As far as South America is concerned, *the major portion of the aid goes to one particular country and, of course, that is Bolivia.*"³

Total U.S. "Security Assistance" to Bolivia continues to demonstrate Washington's concern for this strategic area. It has risen dramatically from \$2.8 million in Fiscal Year (FY) 1971, to \$5.5 million in FY 1972 and \$5.7 million in FY 1973. The proposed allocation for FY 1974 nearly doubles this amount to \$10 million, including \$4 million in Foreign Military Credit Sales.⁴

Within this total, training programs for the military are increasing significant. The U.S. allocation for Bolivian Military Assistance Advisory Groups rose from \$759,000 in FY 1972 to \$969,000 during FY 1973. This increase represents more than half the total rise in allocations for military training in all of Latin America for that year.⁵ For FY 1974 an additional "Military Education and Training Program" has been proposed, budgeted at \$454,000.

In sum, the direct Grant Military Assistance to Bolivia during Fiscal Years 1973 and 1974 is slightly more than

three times the amount the United States has given any other Latin American country. During FY 1973 more than half such grants for the entire continent went to Bolivia alone.⁶

Economic Props for the Bolivian Bourgeoisie.

U.S. support of the Banzer regime has necessitated more than military investments. Economic grants, credits and loans have been used to squelch the growing pressure from the workers while attempting to patch up serious splits in the bourgeoisie. At the same time, such "aid" helps prepare the ground for both local and foreign private investments.

Economic backing for the regime was not long in coming. Only six days after Banzer took power, the United States offered a \$2.5 million loan for cotton agriculture—directly favoring the Santa Cruz bourgeoisie who had masterminded the coup. By November 1971, the United States had extended a total of \$20 million in credits to the Banzer dictatorship in addition to a direct grant of \$2 million for the country's "Plan de Emergencia."⁷ On December 8, 1971, the U.S. Foreign Trade Council announced that the Alliance for Progress planned to loan Bolivia \$45 million for a roads project—one of the largest grants in Bolivia's history.⁸

By the middle of 1972, however, Washington seriously questioned Bolivia's economic stability. The country suffered from a high rate of inflation which fostered popular discontent. Furthermore, in the eyes of U.S. officials, the artificially high and rigid exchange rate of the Bolivian peso definitely discouraged international trade with the United States. Finally, the exaggerated foreign loans, grants, investments and trade, coupled with Bolivia's diminishing production and a rapid increase in spending, left the country without a deficit of 134 million pesos by August 1972, nearly three times that of the previous year. This critically endangered the competitive position of Bolivian goods on the world market and discouraged foreign investment.

Consequently, the United States joined the International Monetary Fund and the World Bank in pressuring Bolivia to devalue its currency by 67 percent vis-a-vis the dollar, and to implement a strict economic stabilization program. This policy clamped a freeze on prices and wages (which never caught up with the runaway prices), implemented more stringent governmental control of labor, and provided added incentives for private enterprise.

No sooner had Bolivia complied with the devaluation and stabilization programs than the United States once again opened its cash boxes to Banzer. On October 31, 1972, U.S. Ambassador Siracusa handed Banzer a check for \$24 million.⁹ In December the U.S. Department of Agriculture extended Bolivia a sales agreement worth \$9.9 million (under Public Law 480) for the purchase of wheat and flour, tobacco and tobacco products.¹⁰ Total U.S. "Development and Humanitarian Assistance" granted Bolivia for FY 1972 (Banzer's first year in government) swelled to \$45.9 million as compared with \$11.8 million for the previous year (during Torres' progressive government). The United States thus

*The Plan de Emergencia was a program to build schools, hospitals and to improve communications and street repairs, while developing trade, small business and industry.

lifted the "invisible blockade" which had worked so effectively against both Torres and the neighboring *Unidad Popular* government in Chile.

This aid policy is consistent with the so-called "New Policy Orientation for Latin America," recommended in June 1973 by Dr. Timothy W. Stanley, Executive Vice President of the International Economic Policy Association to the Senate Foreign Relations Committee on Foreign Assistance.

The U.S. government—he suggested—should establish as a matter of policy that the priority in allocating limited government resources to assist Latin American development—over and above the minimum levels called for by U.S. national security considerations—will go to countries where such assistance can work effectively in partnership with private enterprise and capital . . . they should seek to foster a climate which will encourage the influx of the external capital and technological resources needed to discourage self-destructive economic nationalism.¹¹

Foreign Investment: The Economic Pay-Off.

From the start, the Banzer regime understood that its own survival was closely linked to the needs and desires of the U.S. government. Banzer's advisers knew that Washington and the U.S. business community were anxious to multiply the returns on their capital in Bolivia while expanding the internal Latin American market for U.S. goods.* In response to this pressure, Banzer immediately took the required steps. On September 15, 1971, the U.S. National Foreign Trade Council reported that "the new military regime is dusting off the red carpet for foreign investors." Teams of Bolivian government representatives rushed to the United States in an attempt to convince North American entrepreneurs to invest in Bolivian concerns.

*Bolivian imports from the United States increased from 10.8 percent of total imports in 1970 to more than 30 percent by 1973.

U.S. ECONOMIC AND MILITARY ASSISTANCE TO BOLIVIA (1949-1974)
(IN MILLIONS OF DOLLARS)

GOVERNMENT IN POWER	YEARS	ECONOMIC ASSISTANCE			FOOD FOR PEACE	MILITARY ASSISTANCE			TOTAL
		U.S. LOANS	A.I.D. GRANTS	TOTAL		U.S. LOANS	GRANTS	IME&TP ^a	
Pre-MNR	1949-52	.....	1.5	1.5	.05	.....	.....	.....	.....
MNR Period	1953-61	11.3	144.6	155.9	26.4	.....	0.8	.....	0.8
	1962	7.9	24.2	32.1	3.6	.....	2.2	.....	2.2
	1963	18.5	17.2	35.7	16.1	.....	2.4	.....	2.4
	1964	42.7	15.8	58.5	13.9	.....	3.3	.....	3.3
Barrientos	1965	-6.0	8.4	2.4	3.9	.....	1.9	.....	1.9
	1966	21.8	5.7	27.5	3.6	.....	2.4	.....	2.4
	1967	10.9	3.4	14.3	1.5	.....	2.2	.....	2.2
	1968	4.5	3.3	7.8	5.2	.....	3.5	.....	3.5
[Siles]	1969	5.1	2.9	8.0	15.4	.....	1.6	.....	1.6
Ovando	1970	-1.5	2.1	0.6	3.2	.....	1.2	.....	1.2
Torres	1971	0.0	3.7	3.7	7.1	.....	2.8	.....	2.8
Banzer	1972	50.0	3.3	53.3	6.7	.....	3.1	0.6	3.7
	1973	11.7	3.4	15.1	8.9	.....	3.3	0.8	4.1
	1974 ^b	20.0	3.4	23.4	8.8	4.0	4.2	0.5	8.7

^aInternational Military Education and Training Program

^bProposed

Sources: U.S. House of Representatives. Foreign Affairs Committee, U.S. Overseas Loans and Grants . . . July 1, 1945 - June 30, 1970 (Washington, D.C.: USAID, 1971), 36; U.S. Senate, Appropriations Committee, Foreign Assistance and Related Programs Appropriations, FY 1973, 92nd Congress, 2nd Session (Washington, D.C.: U.S. Gov't. Printing Office, 1972), 1046; U.S. Senate Foreign Relations Committee, Foreign Military Sales and Assistance Act, 93rd Congress, 1st Session (Washington, D.C.: U.S. Gov't. Printing Office, 1973), 98; and, U.S. Senate. Appropriations Committee, Foreign Assistance and Related Programs Appropriations, FY 1974, 93rd Congress, 1st Session (Washington, D.C.: U.S. Gov't. Printing Office, 1973), 1341.

Banzer's willingness to "compensate" U.S.-owned concerns for their previously nationalized properties set the tone for his future relations with Washington. He agreed to repay the International Metals Processing Company \$1.5 million for their former holdings and, in December 1971, promised \$13.5 million to the owners of the nationalized Matilde Mine. Banzer's need to please was obvious in this compensation for the mine whose value was estimated at only \$12 million. The payment was to be financed by a loan from the Bank of America, First National City Bank, the Swiss Bank Corporation and the Overseas Private Investment Corporation (OPIC).¹² Finally, by early 1973, Banzer had agreed to compensate Gulf Oil for the 1970 nationalization to the tune of \$100 million.¹³

In addition to these measures, the Bolivian government decreed two new laws to encourage private enterprise. The Investment Law guaranteed private investors liberal tax exemptions, state lands, and the right to invest foreign capital directly in domestic enterprises.¹⁴ The 1972 Hydrocarbons Law further opened Bolivian petroleum resources to foreign investments, prompting *Business Latin America* to remark: "Bolivia wants and needs foreign investment, and is prepared to go the required lengths to get it."¹⁵ One year later the new incentives began to produce results. On March 9, 1973 Union Oil of California became the first foreign firm to invest in Bolivian petroleum since the nationalization of Gulf.¹⁶ They have since signed a second contract with Bolivia for the exploration and exploitation of its petroleum.

Alliance for Power: The Price is Rising.

U.S. aid, loans and credits so far have succeeded in propping up the weak regime. But Washington continues to gamble by paying an increasing price for backing General Banzer. It faces both economic and political dangers. First of all, the United States runs the risk of investing in a regime artificially supported by foreign aid which may fall as a result of economic problems and internal political opposition. During the past year these problems have become more evident. Bolivia's excessive sales of beef and coffee on foreign markets and speculation within the country have caused serious shortages, finally forcing the government to ban all exports of these products.¹⁷ Furthermore, with the dramatic increase in foreign aid and other debts,* inflation has skyrocketed and prices continued to soar. While the cost of living rose 31.9 percent from October 1972 to March 1973, the salaries of low-level wage earners increased by only 13 percent—an amount insufficient to meet the spiraling costs of essential commodities.

The resulting economic turmoil and the militant opposition of Bolivian workers forced Banzer to cancel his October 1973 trip to the United States. Resistance from the workers has steadily mounted since the first strikes and demonstrations following the 1972 devaluation. Strikes have continued, particularly by the COMIBOL tin miners, and in September 1973 workers reconstituted the *Central Obrera Boliviana* (COB) in an open challenge to the regime which had banned the organization in August 1971 and still refuses to recognize it.¹⁸

*According to *Noticias* (September 12, 1973), Bolivia's foreign debt jumped 15.2 percent in 1972 alone, reaching \$680.8 million. The country's main creditors are USAID, the World Bank, the Inter-American Development Bank, and Gulf Oil.

But opposition to Banzer is not limited to Bolivian workers and the left. Mounting dissatisfaction and dissent on the right threatens to tear apart the fragile coalition which has been the basis of the regime. Bolivian entrepreneurs, for example, have become alarmed by unresolved economic crises, by the militancy of labor organizations and by what they perceive as government concessions to the workers. Within his own ranks, Banzer has put down several attempted coups from the right, including the one by Col. Andres Selich, murdered by Bolivian political police last spring. Most recently, a series of cabinet changes by General Banzer failed to re-cement the original ruling coalition of the military, MNR and FSB. In November 1973, the MNR officially withdrew from the governing *Frente Popular Nacionalista*, and early this year its leader, Victor Paz Estenssoro, was exiled to Paraguay. Meanwhile, the current political crisis and pressure from the armed forces have influenced Banzer's decision to postpone his promised 1974 national elections until 1975 when a more "satisfactory political climate is obtained," and the Bolivian right wing is in better shape to withstand the challenge.

Given the opposition to the regime and the divisions within it, U.S. investors and policy makers are questioning whether the Banzer government can provide the base they seek for political security and profitable economic development. Washington also risks further sharpening the people's political consciousness—already heightened by Vietnam, Chile and Watergate—as it increases aid to a military dictatorship publicly denounced for its states of siege, severe repression and torture.²⁰ Nonetheless, the United States continues to defend its uneasy alliance for power in the center of South America; but the stakes are high, and the price is rising.

—Donna Katzin

FOOTNOTES

1. *Washington Post*, August 28 and 29, 1971.
2. U.S. Senate, Committee on Appropriations, *Hearings Before the Committee on Appropriations, Foreign Assistance and Related Programs, Appropriations, FY 1973*, 92nd Congress, 2nd Session (Washington, D.C.: U.S. Government Printing Office, 1972), 928.
3. *Ibid.*, 869-870. Emphasis added.
4. *Ibid.*, 1046; and, U.S. Senate, Committee on Appropriations, *Hearings Before the Committee on Appropriations, Foreign Assistance and Related Programs, Appropriations, FY 1974*, 93rd Congress, 1st Session (Washington, D.C.: U.S. Government Printing Office, 1973), 1341.
5. *Ibid.*, 1057.
6. U.S. Senate, Committee on Foreign Relations, *Foreign Military Sales and Assistance Act*, 93rd Congress, 1st Session (Washington, D.C.: U.S. Government Printing Office, 1973), 98.
7. *Los Tiempos* (Cochabamba), March 23, 1972.
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13. Central Obrera Boliviana, "La Central Obrera Boliviana, Ante La Asamblea Sindical Mundial," (Santiago de Chile: np, April 10-15, 1973), 6.
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16. "Union Oil Venture in Bolivian Jungle is First Under New Hydrocarbons Law," *Business Latin America*, April 5, 1973, 112.
17. *Noticias*, Vol. XXIX, No. 22 (June 6, 1973), 2-3.
18. *Ibid.*, Vol. XXIX, No. 30 (August 1, 1973), 3; and Vol. XXIX, No. 37 (September 19, 1973), 3.
19. *Ibid.*, Vol. XXIX, No. 48 (December 19, 1973), 1.
20. *Ibid.*, Vol. XXIX, No. 2 (June 6, 1973), 3; "Torturas y persecucion politica en Bolivia," *NADOC* (Lima), No. 278 (November 29, 1972); and, Marvine Howe, "Bolivian Civil Rights Widely Violated," *New York Times*, December 26, 1973.

Chile: ¡La Resistencia Va!

World reaction to the Chilean military junta that overthrew the **Unidad Popular** government on September 11, 1973, has been overwhelmingly negative. Unable to gain the international stature it needs to attain political and economic stability, the junta is becoming more repressive and desperate daily. The "good will ambassadors" dispatched by the junta have been prevented from speaking in public and have been forced out of one country after another, including Mexico, Venezuela, Spain, Bolivia and the United States. By exposing the fascist character of the junta, we can help to maintain this international pressure against it. For that reason we have allotted one page of this issue to information about Chile. Our work is an expression of our solidarity with the heroic resistance struggle of the Chilean people.

"Our federation will be absolutely apolitical, democratic and free, independent of both government and political parties," announced the newly selected president of the Chilean National Workers' Confederation (CNT). After outlawing all workers' organizations, dissolving the Central Labor Federation of industrial unions (CUT), and carrying on one of the most brutal offensives in history against the Chilean working class, the Chilean military junta has just given the go-ahead to the CNT.

Whereas the CUT, founded in 1952, included all industrial unions and had more than one million members, the CNT has never represented more than a handful of workers. During the first week in January 1974, in a meeting arranged and approved by the junta, 26 paper associations declared themselves the "new alternative" to the CUT, claiming to be a confederation of "all workers" that will cooperate with, rather than challenge, the owners and directors of big business. The CNT, founded in the early 1960's, is directly funded by the U.S. American Institute for Free Labor Development (AIFLD).

AIFLD was founded at the end of 1961, after the failure of the Bay of Pigs invasion, to "fight castroism in Latin America." This labor institute, like the Peace Corps and Food for Peace program, was designed as part of an overall strategy to undermine social protest movements in the Western hemisphere. The Institute was designed to propagate the values of the free enterprise system, offering seminars on "free trade unionism," how to fight communism in the trade unions, and methods of collective bargaining and the development of harmonious labor-management relations. The seminars are given in each Latin American country and a special advance course is offered quarterly at the Institute's headquarters in Washington, D.C., the Front Royal Institute.

AIFLD is sponsored by George Meany in the name of the AFL-CIO despite the fact that most AFL-CIO rank-and-file groups have never been provided with information about the Institute's operations and purposes. Support for AIFLD also comes from the U.S. government and large U.S. corporations and banks.

According to AIFLD's president, J. Peter Grace, "its objectives in Latin America are to promote democratic free trade unions; to prevent communist infiltration, and where it already exists to get rid of it. . . . It teaches workers to help increase their company's business. . . . The AIFLD urges cooperation between labor and management and an end to class struggle."

Who funds AIFLD? George Meany, director of the Institute, brags that it receives support from the "largest corporations in the United States, and," he adds, "they're really big: Rockefeller, ITT, Kennecott, Standard Oil, Koppers, Gillette, Shell Petroleum, Crown Zellerbach, Anaconda, even Readers Digest. . . and although some of these companies have no connection whatsoever to U.S.

trade unions, they are all agreed that it was really in the U.S. interest to help develop free trade unions in Latin America and that's why they contributed so much money."

Meany does not mention here the benefits of cheap labor that attract these large corporations and, of course, their interest in keeping it cheap. It was this interest more than any other than brought AIFLD into Chile and that accounts for its role in supporting—technologically and financially—the right-wing opposition to the popular government of Salvador Allende. Now that the coup has taken place, AIFLD-backed unions are working hand-in-hand with the military to suppress workers' protests.

The Chilean CNT was resurrected once before, in 1965, when the United States poured money into its key union, the Maritime Union (COMACH), to carry out a strategy aimed at breaking up the CUT and dividing the working class. The strategists planned to use the funds to form a series of paper organizations, register them in the CUT, infiltrate the national convention and then stage a walk-out. It failed.

But the military coup has now accomplished the task that the United States and the Chilean right have projected since the formation of the CUT: destroy the organization of industrial workers, subordinate working class unions to white collar and professional leadership, and replace class consciousness with trade-unionism and economism.

The recently chosen president of the CNT, Eduardo Rojas, is, by no coincidence, president of COMACH. COMACH has sent more of its members to study at AIFLD's Front Royal Institute than any other Chilean union. In return, it has been treated generously. AIFLD has called on COMACH to sponsor many of its in-country seminars where well over 10,000 Chileans have been taught "free trade unionism." In July 1968 COMACH received over \$4,000 from AIFLD under the rubric of a social action project plus additional funds for radio equipment. In August 1968 money was given to install an elaborate ship-to-shore radio operation. (Precisely during these months, right wing sectors of the military were planning a coup against the Frei government.)

In June 1971 money was again channeled through COMACH into the right-wing trade union movement; the following month, the AFL-CIO donated \$2,500 directly to COMACH, supposedly for a special earthquake fund. Considering that coup operations on the morning of September 11, 1973, began at the port of Valparaiso where COMACH is based, this union seems to have been a very convenient conduit for funds, and a useful go-between for the coordination of information between Chilean land and sea maneuvers as well as between the Chilean Navy and U.S. Naval operations—UNITAS—stationed off the coast of Chile on that day.

The new vice-president of the CNT, Luis Villena, from the National Confederation of Copper Workers, is a graduate

(33rd class) of the AIFLD's Front Royal Institute. Next to COMACH, the United States has favored this confederation in an effort to get a hold on the most crucial sector of Chile's labor force, that connected with the copper mining industry. Through the help of the U.S. copper companies—Anaconda and Kennecott (both financial backers of AIFLD)—AIFLD has offered more training seminars for copper workers than any other single group of workers. Like COMACH, the Copper Workers' Confederation has a good number of AIFLD graduates in its ranks, and it has received special funding under the guise of AIFLD projects. For example, in May 1970, the Institute presented \$5,000 to the Confederation. New officers have also been selected for the Chilean Confederation of Copper Workers, according to the latest reports in *Ercilla*, the Chilean equivalent of *Time*. President Guillermo Santana Salas is a Front Royal graduate (24th class) and the Secretary General is the above-mentioned Luis Villena of the CNT. Both are technical, white collar workers, not miners.

In 1970 the U.S. government cut off all aid to Chile in an attempt to undermine the economic stability of the Allende government. Nonetheless, over a million dollars continued to flow into Chile through AID's technical assistance program. Money from this program is earmarked for AIFLD. Furthermore, the number of Chileans trained at the U.S. Front Royal Institute from October 1972 to February 1973, a period of growing seditious activity, increased by over 300 percent. The secretary of the right-wing coordinating committee (National Command for Free Trade Union Defense) for the October 1972 bosses' lock-out, Jorge Guerrero, has just completed the AIFLD's special advanced course in labor economics here in the United States. This

course was given in October 1973, one month after the coup, and Guerrero was not the only Chilean present.

AIFLD officers have bragged of their graduates' participation in other coups in Latin America: Guyana, Brazil, the Dominican Republic, and now in Chile. Yet it is clear that the AIFLD's strategy for Chile, while successful in the short run, is now failing completely.

The high level of class consciousness achieved by the Chilean working class is not something that can be eliminated. About 95 percent of the working class will have nothing to do with CNT or AIFLD. More than ever, Chilean workers are aware of the true nature of ruling class exploitation. Despite the ever-increasing military repression, workers continue to resist the junta. Presently, bakers are waging a wildcat strike for better salaries. And other strikes of industrial workers have been reported throughout Chile as wage freezes and rampant inflation make most essentials prohibitive to working people. AIFLD was a helpful partner in the conspiracy that overthrew Allende, but the behavior of the Chilean working class clearly indicates that it will not be bought off.

NACLA is saddened by the tragic death of Stephen Hymer. His work on the multinational corporation has been an invaluable aid to all who study and combat imperialism.

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